Boston Borough Council

Statement of Accounts 2010/11

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EXPLANATORY FOREWORD

Welcome to the Statement of Accounts – Rob Barlow, Strategic Director (Resources)

1. Introduction

As the Council's statutory Chief Finance Officer, I have pleasure in presenting this explanatory foreword for Boston's Statement of Accounts 2010/11. The explanatory foreword seeks to summarise key events during the year and their financial impact, to help make the Statement of Accounts easier to understand.

A key focus for the Council is the development of the Medium Term Financial Strategy which reflects the difficult economic circumstances that the Council currently operates in. The Council has improved recently with an unqualified Value for Money Opinion for 2009/10 and Internal Audit reporting 'substantial assurance' (from Limited Assurance for 2009/10) on the internal control environment. The Improvement Board is also no longer required to monitor Council improvement. Revisiting the financial planning process and the introduction of the Transformation Programme means the Council is well placed to meet the financial challenges it faces.

The Council remains committed to delivering quality frontline services, working with partners and most important of all delivering services residents want whilst meeting the Council's new corporate priorities of:

- Better services with less money;
- Sharing opportunities and responsibilities;
- A successful borough, a great past, an exciting future.

We have continued to develop and improve the Council's approach to financial management at both a corporate and a service level. The key aims of the work have been to:

- Improve financial management reports, on a quarterly basis to Cabinet and the Performance and Review Committee. The reports also align to service performance and any relevant governance issues;
- Support good financial practices across the Council including a re-constituted Capital Working Group;
- Advise the Council to ensure that money raised from public taxation is used efficiently and effectively to meet local needs as reflected in Council priorities;
- Ensure that, given the Government's austerity measures, both the Council's five year Revenue Budget and Capital Programme is 'fit for purpose'. Although both capital and revenue budgets have contracted substantially they still need to be robust to enable services to be of the highest quality; and
- Enacted a 'fit for purpose' Audit Committee which follows best practice standards for governance.

I hope this explanatory foreword and the notes that follow give a clear picture of the figures that make up our statement of accounts and show how Council Tax and our other sources of income are used to provide our range of services. Clarity should be aided by the adoption this year of International Financial Reporting Standards (IFRS) so the Council's accounts accord more with those you would see if perusing accounts in other sectors of the economy, in terms of the layout and format. The statement of accounts is required by law and sets out various statutory and other information required by professional practice.

We will continue to produce a Summary Statement of Accounts which provides a useful overview of the Council's financial position. The summary will once again be made available following publication of the accounts. In addition an Annual Report is produced (the Council's Quarter 4 Outturn Report) which brings together finance and performance.

Please continue to provide comments and feedback on the format and content of the Statement of Accounts to enable us to make them as user friendly as possible (e-mail: finance@boston.gov.uk).

Rob Barlow (Strategic Director, Resources)

2. The Statement of Accounts

This year is the first year that the Statement of Accounts ('*the Statement*') have been based on International Financial Reporting Standards (IFRS). As such the Statement has been produced in accordance with *The Code of Practice on Local Authority Accounting* ('the Code') developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). Applying the Code has resulted in a number of significant changes to the Accounts, not least the need to restate the 2009/10 Accounts as the Accounts have moved from UK Generally Accepted Accounting Practice (GAAP) to IFRS Accounts. The restated figures, which reconcile the UK GAAP to IFRS figures, are given at Note 7 in the Statement. Further commentary on key changes is provided in Section 7, page 8.

The Statement gives a true and fair view of Boston's financial position for the financial year 2010/11. Our Accounting Policies are outlined in this document, and were re-written to take into account the Code and they were approved by the Audit Committee on 11 April 2011. These policies have been applied with regards to the Statement. In producing the Statement we keep proper and up to date accounting records and take all reasonable steps to prevent and detect fraud and any other irregularities.

The Strategic Director, Resources is the statutory officer responsible for the proper administration of the Council's financial affairs (sometimes referred to in the Statement as the Chief Financial Officer). He is required by Law to confirm that the Council's system of internal controls can be relied upon to produce an accurate Statement of Accounts. His statement of assurance for the 2010/11 (known as *The Statement of Responsibilities*) appears on Page 11 of the Statement.

3. Financial Summary

The Statements themselves provide a technical analysis of how the Council has used the resources available to it. The following provides further details and clarity as to the:

- amount of revenue incurred and how it was paid for;
- amount of capital expenditure and how it was paid for;
- 2010/11 major service development and financial overview including commentary on the Balance Sheet;
- the impact of implementing International Financial Reporting Standards; and
- future financial challenges.

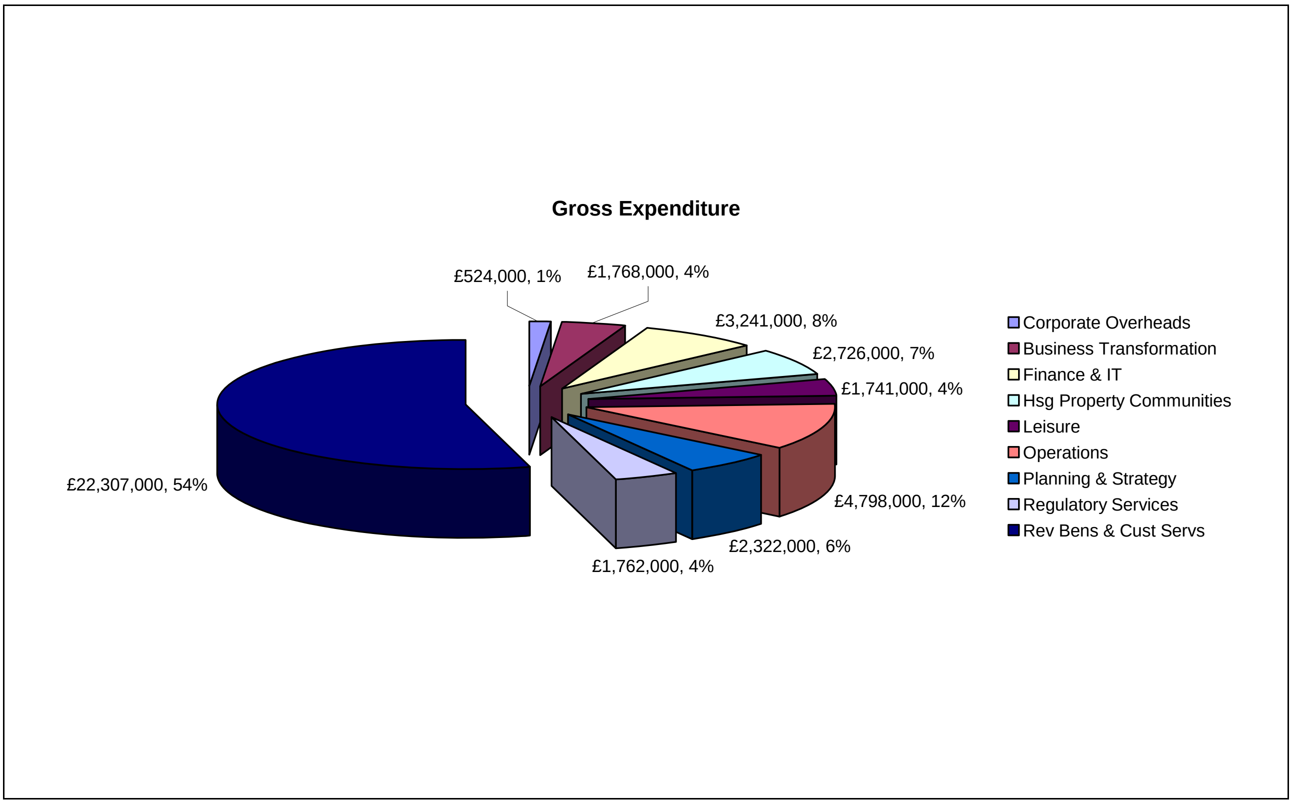
Revenue Expenditure

The Council receives and spends money from various sources; the focus of this section is to look at how it spends its General fund income. The income comes primarily from central government and from local residents in the form of Council Tax. Each year the Council spends its money on key services, set in accordance with our local priorities in mind, and also on some services that we have to provide by law. The underspend of £1.58m is represented by the movement in useable reserves and the General Fund balance against a net budget of £10.533m. During the year officers have made a conscious effort to constrain expenditure and continue to deliver services, bearing in mind the Governments austerity plans and various other economic pressures (both at a local and national level). Consequently decisions have been taken to provide resources to reserves to meet the following future key risks:

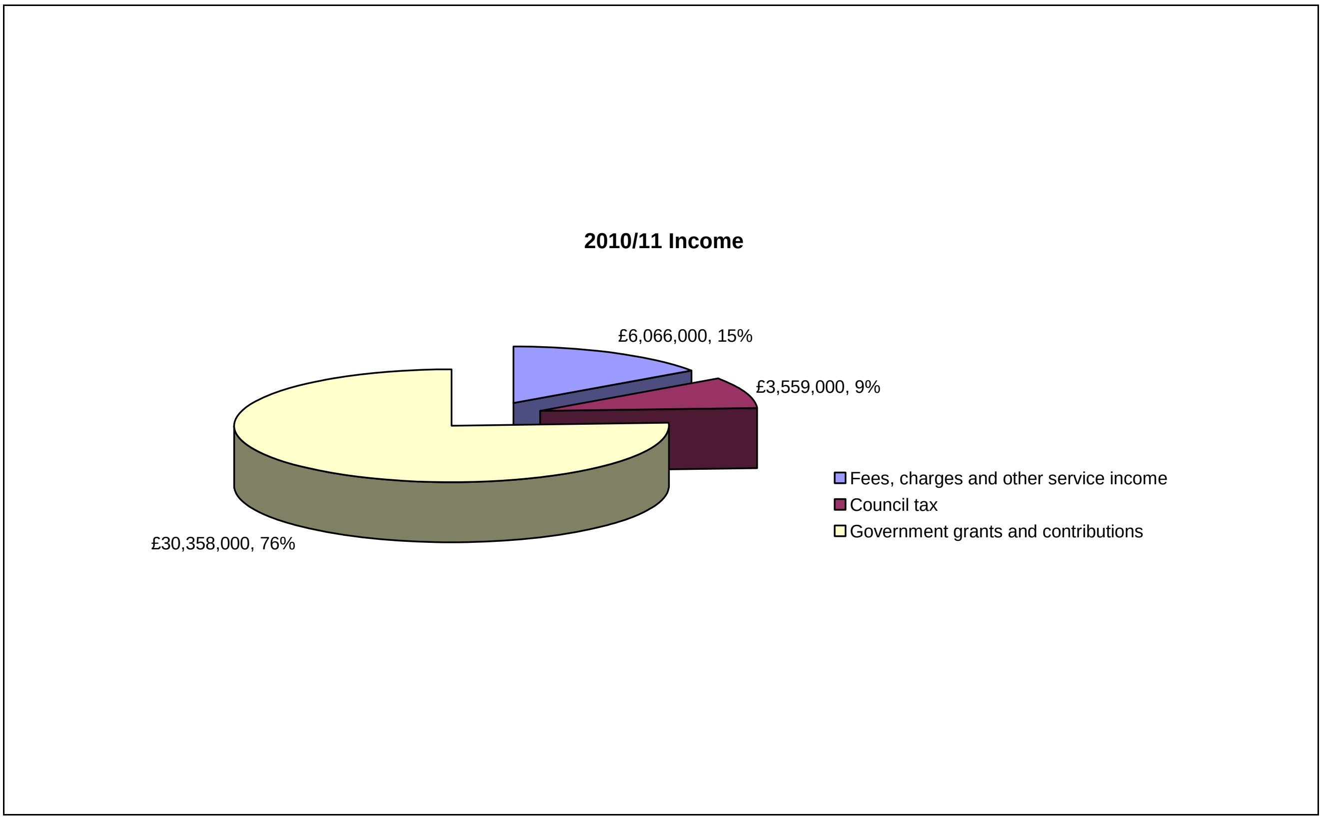
- to enable delivery of the Transformation Programme, the mechanism by which the Council will balance future budgets and continue to deliver good quality services;
- likely price increases in fuel and utility costs;
- the requirement to be able to fund future capital asset replacement and thereby meet the capital ambitions of the Corporate Strategy;
- the need for ongoing repairs and maintenance for property, plant and equipment;
- the Council's commitment to climate change initiatives; and
- to ensure the Council's IT infrastructure and equipment is of sufficient quality to facilitate the delivery of modern services.

Earmarked reserves have therefore increased by £1.3m from £4.2m to £5.5m (see Note 9, page 44). Furthermore, primarily due to the uncertainty regarding future Government funding, the General Fund balance has been increased from £1.1m to £1.4m. The Movement in Reserves Statement (page 12) demonstrates the changes in Reserves and Balances within the Statement. The increase in reserves puts the Council in a stronger position to withstand future financial pressures.

The graph below shows how we spent our money on behalf of the Borough (Source: segmental reporting note 27 Table 2)

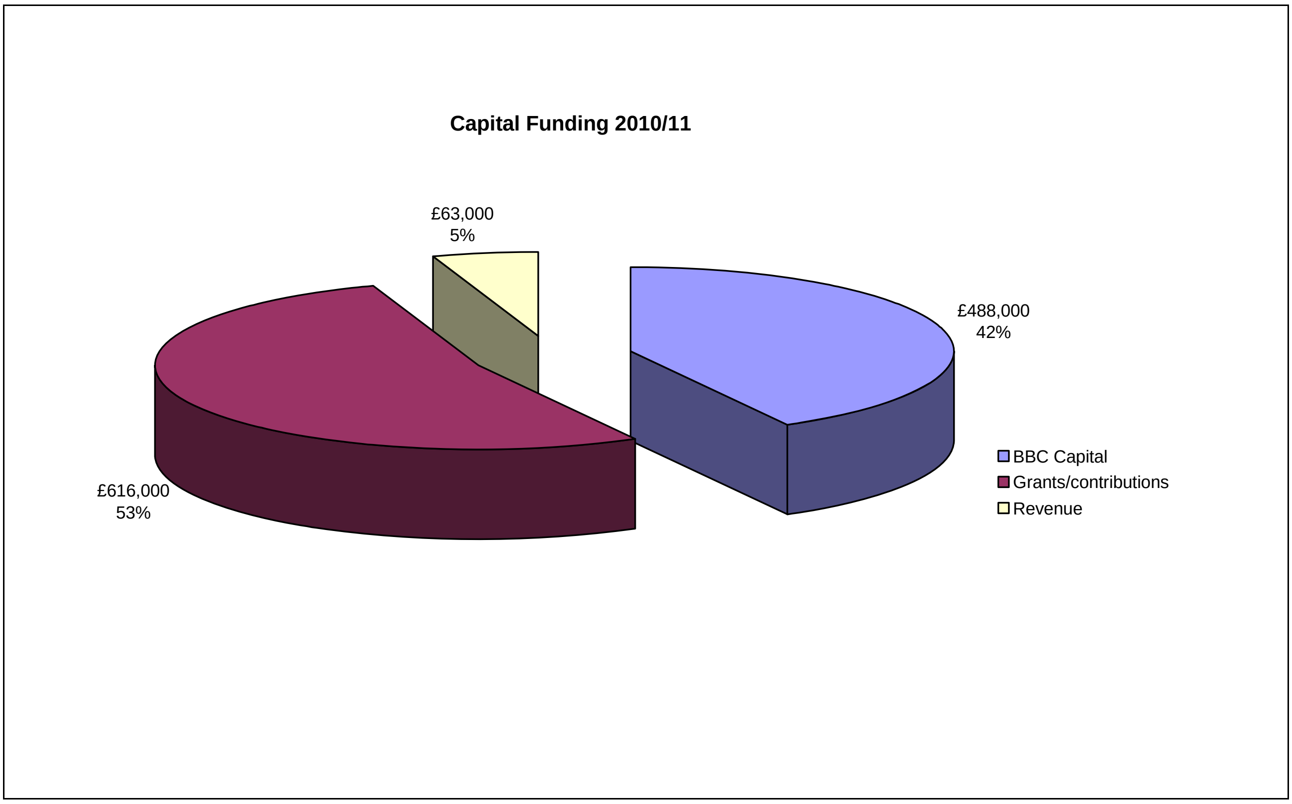


The graph below shows where the money came from during 2010/11 (source: segmental reporting note 27 table 5)

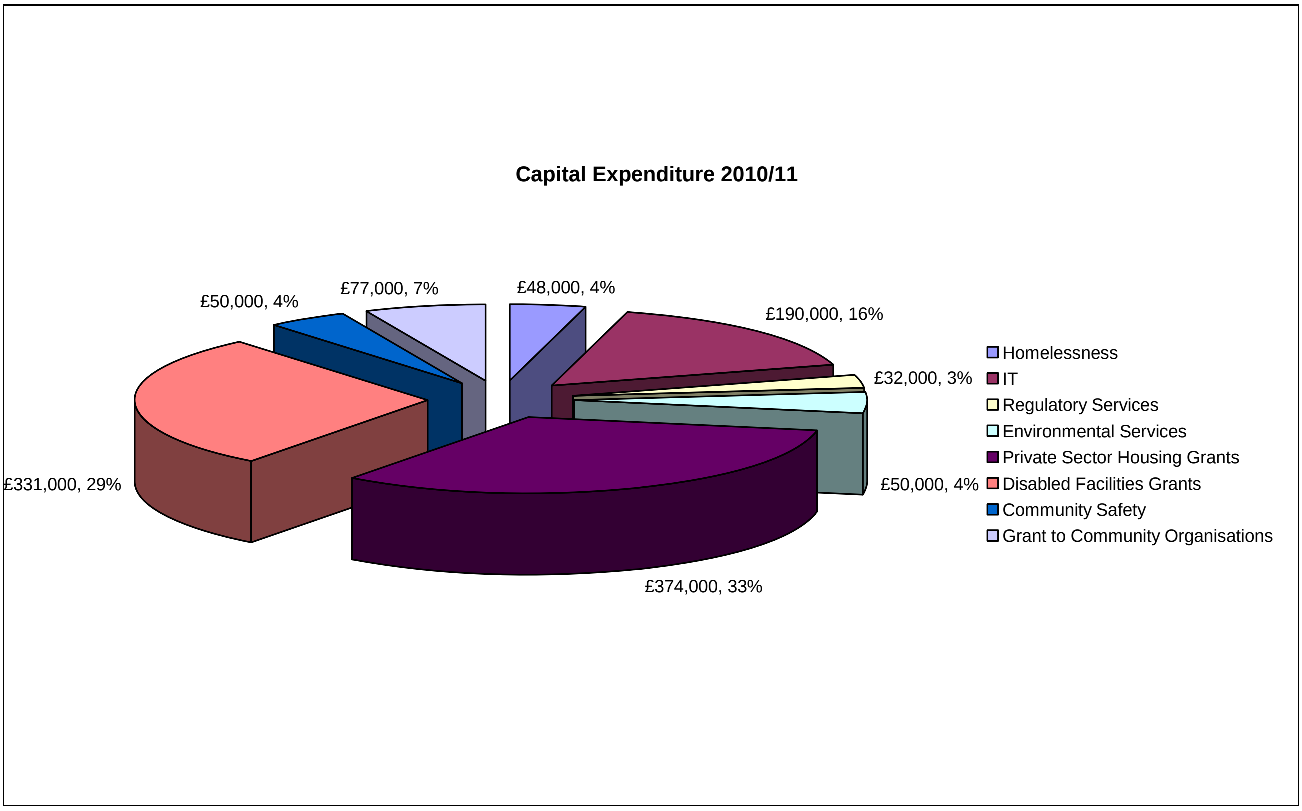


Capital Expenditure

As well as delivering day to day services, the Council also spends money on capital works, which become assets and are classified largely as property, plant and equipment on the balance sheet. The Council has to ensure its capital programme is not only prudent, but also affordable and sustainable. The original programme, due to the aforementioned economic pressures the Council faces, was neither prudent, affordable or sustainable. The revised Programme was £4.9m with actual spend for the year being £1.16m with an overall underspend of £3.74m. The main areas of spend and how it was funded is depicted in the graphs below. Over 50% of the spend is in relation to housing grants to help the more vulnerable with regards to private sector housing and disabled facilities.



Capital Funding 2010/11
£63,000
5%
£488,000
42%
£616,000
53%
BBC Capital
Grants/contributions
Revenue



Capital Expenditure 2010/11
£50,000, 4%
£77,000, 7%
£48,000, 4%
£190,000, 16%
£32,000, 3%
£50,000, 4%
£331,000, 29%
£374,000, 33%
Homelessness
IT
Regulatory Services
Environmental Services
Private Sector Housing Grants
Disabled Facilities Grants
Community Safety
Grant to Community Organisations

4. Major Service Developments and Financial Overview

The past 12 months have been extremely challenging from a financial and delivery perspective given that the Council in 2009 received a qualified Value For Money (VFM) conclusion from the Audit Commission. Against a backdrop of a recession, severe reductions in central government support and increasing demand for its services, the Council is rising to the challenge.

The Audit Commission's Annual Audit letter for 2010 stated that the Council has '*responded positively to last year's assessment'* and an unqualified audit opinion and VFM Conclusion were reached. It was also acknowledged that the Council works well with its partners particularly in the areas of crime reduction and reducing health inequalities. In terms of managing it's finances the Audit Commission have recognised that 'the Council has now achieved a consistent and stable financial position, and is now addressing VFM in a more constructive and corporate way'.

Some of the key areas the Council has improved includes:

- Housing Benefits – where a restructure has reduced the cost of the service and concurrently performance has improved, with the time to process claims reduced from 17 (2008/09) to 9 days (2010/11);
- Work on climate change has meant a reduction in our carbon footprint by 11% against a target of 5%;
- Car parking satisfaction has risen from 35% to 71%;
- Our commitment to empowering communities via the Placecheck Project continues;
- Adoption of the Council's VFM Strategy and embedding this via service planning to ensure the Council continues to maintain its momentum in delivering VFM; and
- Working with Lincolnshire County Council with regards to delivering the Transport Strategy with continued work to ensure improved traffic flow around Boston.
- Undertaken peer review work with South Kesteven District Council on both IFRS and the Statement of Accounts.

Previously we have mentioned the further pressure on the Council's finances which will increasingly manifest themselves in the future as Government funding cuts bite. Since setting the budget for 2010/11 we have reported on issues arising throughout the year. In terms of the impact of the recession it is worth noting the need to contribute to the bad debt provision by £0.147m, and some areas of reduced income such as for planning applications.

The overriding issue has been the need for services to provide better value for money, combined with not committing ourselves unnecessarily to an unaffordable capital programme. Our success is measured by the effective decision making which has contributed to the planned and anticipated appropriation to reserves and resulting improvements mentioned above. Efficient management of staff resources has meant an underspend of £0.22m on employee budgets. There were also several 'windfall' items which improved the financial position, particularly £0.47m on concessionary fares and £0.09m as a result of proactively pursuing VAT recovery against Her Majesty's Revenue and Customs.

The net expenditure for the Council (see page 14 - The Comprehensive Income and Expenditure Statement) has fallen from £14.8m to £1.9m, however there are some entries in the accounts that are reversed out again through the Movement in Reserves Statement (see page 43) and so the following table takes out the entries in the net expenditure that do not affect Council Tax and the General Fund:

Type of Expenditure	2009/10 £'000	2010/11 £'000
Cost of Services	14,892	1,950
IAS 19 Pension Adjustment	(114)	5,823
Depreciation Adjustment	(826)	(741)
Impairment Adjustment	(3,741)	(834)
Capital Grants received	(655)	(600)
Revenue Expenditure Funded from Capital Under Statute	(2,005)	(836)
Profit / (loss) on sale of assets	2	(39)
Adjusted Cost of Services	7,553	4,723

Note 27 in the Statement (pages 60-61) reconciles the figures in the Statement to the management accounts reported to Cabinet.

The Council's net asset position (or net worth) has increased from a negative position of -£8.2m to a positive £12.3m (See the Balance Sheet at p15). The main reason for this being a reduced deficit on the pension scheme from £32.4m to £16.8m (see note 41, page 73). This was partly due to the Government decision to 'up-rate' pensions in accordance with the Consumer Price Index rather than the Retail Price Index along with other changes in assumptions made by the funds actuary.

The value of property, plant and equipment and investment property has also led to an increase in the value of Council assets of £3.6m; this is largely due to a change in estimates used by the Council's valuers in line with professional practice. There have not been any significant impairments regarding property, plant and equipment during the year.

An additional contingent liability (see note 42, page 76) in the Statement concerns a potential pension liability with regard to the Pilots National Pension Fund. Through its discussions with Legal Lincolnshire the Council believes it does not have any such liability.

It should be noted that Group Accounts no longer remain in relation to Boston Sports Initiative (BSI). This is due to the fact that in accordance with IFRS the Council has no investment with BSI, and also as a result of the loan of £1.9m and associated interest being written-off last year, the level of control the Council can exert is virtually non-existent.

Finally the change in the Accounts and Audit Regulations in 2011 means it is now no longer a requirement for the Annual Governance Statement (AGS) to be held within the Statement of Accounts. The AGS is important in terms of demonstrating that the Council has good corporate governance, and is presented alongside the Statement of Accounts.

5. Future Challenges

Whilst the Council has made improvements there are still further challenges and opportunities that the Council will look to embrace:

International Financial Reporting Standards (IFRS)
Whilst the Council has introduced IFRS, it will look to ensure procedures and practices continue to be robust for the successful closure of not only this year's accounts, but also for future years.

Meeting the Financial Challenge of having a sustainable Medium Term Financial Strategy(MTFS)
Whilst this year the Council has contributed to reserves which both helps as a buffer with regards to reduced central government support and also meets a number of risks, it is critical that the Council delivers savings from the Transformation Programme. This includes ensuring the savings from the 'systems thinking' review undertaken by Vanguard Scotland for Operational Services are built into the budget and likewise savings from the plethora of other projects that are being undertaken also deliver savings for the MTFS.

Focusing on improving areas of poor performance
Whilst we look to continue with good performance there are areas such as housing, waste collection and recycling where performance in 2010/11 could have been better. The Council has service and work plans to improve such areas.

Pension Contributions
Whilst we have pointed out that the deficit has reduced, it remains significant. Our view is that statutory arrangements should ensure the financial position of the Council's Pension Fund remains healthy. It is clear that national reform is inevitable to close the funding gap for what is both a local and national problem. Recommendations from the Hutton Report are likely to result in actions by central government

6. Summary

Like many public sector organisations the Council has, and continues to face, many significant financial challenges particularly as a result of reduced central government funding, increased demand for services and rising inflation. The Council's response has been to not only develop a culture of prudence but also implement several strategic and operational initiatives. Thus by the end of the financial year the Council contributed £0.3m to its General Fund balance and £1.2m to earmarked reserves.

The Council is committed to delivering better services and change for the Borough through its Transformation Programme. This will also be the mechanism to develop capital investment and improve the quality of the Council's asset base. New leadership is in place that is committed to the significant task of transforming the services that are delivered to the people of Boston. The transformation challenge is one which both members and officers of the Borough Council are determined to meet.

7. The Impact of International Financial Reporting Standards (IFRS) and Changes in Accounting Policies

We have already mentioned some background to IFRS - this is a change in Accounting Policy and as already mentioned has meant restating 1st April 2009 and 1st April 2010 balances to an IFRS basis (the impact is summarised at note 7). Some other key issues to be aware of include:

Presentation of the Financial Statements
These have changed as summarised in the table below. The main change being that what was the Statement of Movement in General Fund and Statement of Recognised Gains and Losses are largely consolidated into the Movement in Reserves Statement.

SORP Statements	IFRS Code Statements
Income and Expenditure Account & STRGL	Comprehensive Income and Expenditure Account Statement
Statement of Movement on General Fund	Movement in Reserves Statement
Balance Sheet	Balance Sheet
Cashflow Statement	Cashflow Statement

Grants and Contributions (see Accounting Policy 12, page 23)
The classification of deferred government grants no longer exists with two new accounts of Capital Grants Unapplied and Capital Grants Received in Advance created. These respectively relate to whether a grant has been received but no expenditure incurred and whether outstanding conditions apply to a grant.

Employee Benefits (see Accounting Policy 8, page 19)
To recognise the true cost of employees an estimate is included to account, for example, employees leave and flexi-time outstanding at the year end. In order that this does not affect the General Fund Balance a reversal is made through the Accumulated Absences Account (an Unusable Reserve – see note 23.6, page 58).

Property, Plant and Equipment (see Accounting Policy 19, page 26)
This is a new classification from what was previously operational land, buildings and equipment (as 3 separate categories) and there are stricter definitions for investment properties.

8. Financial Statements

The Council's accounts are set out on pages 12 to 84 and consist of the:

- Movement in Reserves Statement – this shows the movement in the year of the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure) and 'unusable reserves';
- Comprehensive Income and Expenditure Account - this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation;
- Balance Sheet – this explains the Council's financial position at the year-end. It provides detail of the balances and reserves at the Council's disposal, its long term indebtedness, and the value of assets and liabilities at the balance sheet date;
- Cash-flow Statement – this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes;
- Accounting Policies – these explain the basis of the figures presented in the accounts.

Supplementary Financial Statements

- Collection Fund – this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates and any associated payments to precepting authorities and the National Non-Domestic Rates (NNDR) Pool.

In addition to the above, each account within the Statement is preceded by brief notes explaining their purpose, together with more detailed notes for each financial statement.

The financial activities of the Council can be split between revenue and capital, and in general terms, the definitions are as follows:-

- Income and expenditure within the revenue accounts of the Council relate to items consumed within the year; and
- Income and expenditure within the capital accounts relate to items with a life in excess of one year.

9. Further Information

Further information about the Statement of Accounts is available from the Financial Services section at the Council Offices, West Street, Boston, Lincolnshire PE21 8QR telephone 01205 314200 or e-mail: Finance@boston.gov.uk. In addition, members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised in the local press and on our website at www.boston.gov.uk.

Rob Barlow
Strategic Director, Resources
30th June 2011

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director - Resources.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

THE STRATEGIC DIRECTOR – RESOURCES' RESPONSIBILITIES

The Strategic Director - Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices, as set out in the Chartered Institute of Public Finance and Accountancy/Local Authority Scotland Accounts Advisory Committee's "Code of Practice on Local Authority Accounting in the United Kingdom" ("the Code of Practice").

In preparing this Statement of Accounts, the Strategic Director - Resources has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice

The Strategic Director - Resources has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Strategic Director - Resources should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

CERTIFICATE

I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of Boston Borough Council at 31 March 2011 and its income and expenditure for the financial year ended 31 March 2011.

Rob Barlow
Strategic Director - Resources
30 June 2011

FORMAL APPROVAL

The Audit Committee approved the audited Statement of Accounts on 22 September 2011

On behalf of the Council
Councillor Leggott
Chairman of the Audit Committee

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2009/10	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Boston Town Amenity Committee	Total Useable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2009	1,209	3,408	0	500	34	5,151	9,485	14,636
Movement in reserves during 2009/10								
Surplus or (deficit) on the provision of services	(7,451)	0	0	0	3	(7,448)	0	(7,448)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(15,425)	(15,425)
Total Comprehensive Income and Expenditure	(7,451)	0	0	0	3	(7,448)	(15,425)	(22,873)
Adjustments between accounting basis & funding basis under regulations (Note 8)	8,143	0	6	(135)	0	8,014	(8,014)	1
Net Increase / (Decrease) before Transfers to Earmarked Reserves	692	0	6	(135)	3	566	(23,439)	(22,873)
Transfers to / from Earmarked Reserves (Note 9)	(814)	814	0	0	0	0	0	0
Other Movements in Reserves	5	0	0	0	0	5	(9)	(4)
Increase / (Decrease) in 2009/10	(117)	814	6	(135)	3	571	(23,448)	(22,877)
Balance at 31st March 2010 carried forward	1,092	4,222	6	365	37	5,722	(13,963)	(8,241)

2010/11	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Boston Town Area Committee	Total Useable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2010	1,092	4,222	6	365	37	5,722	(13,963)	(8,241)
Movement in reserves during 2010/11								
Surplus or (deficit) on the provision of services	6,562	0	0	0	15	6,577	0	6,577
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	13,954	13,954
Total Comprehensive Income and Expenditure	6,562	0	0	0	15	6,577	13,954	20,531
Adjustments between accounting basis & funding basis under regulations (Note 8)	(4,973)	0	12	(16)	0	(4,977)	4,977	0
Net Increase / (Decrease) before Transfers to Earmarked Reserves	1,589	0	12	(16)	15	1,600	18,931	20,531
Transfers to / from Earmarked Reserves (Note 9)	(1,280)	1,280	0	0	0	0	0	0
Other Movements in reserves	(1)	0	0	0	0	(1)	2	2
Increase / (Decrease) in 2010/11	308	1,280	12	(16)	15	1,599	18,933	20,532
Balance at 31st March 2011 carried forward	1,400	5,502	18	349	52	7,321	4,970	12,291

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10					2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
5,811	(4,918)	893	Central Services to the public		5,822	(5,133)	689
12,930	(3,342)	9,588	Cultural, environmental, regulatory and planning services		8,146	(3,052)	5,094
1,261	(1,417)	(156)	Highways and Transport services		854	(1,365)	(511)
17,367	(16,490)	877	Other Housing services		18,374	(17,488)	886
1,911	0	1,911	Exceptional items not included in costs of specific services		0	0	0
1,678	(13)	1,665	Corporate and Democratic Core		1,722	(107)	1,615
114	0	114	Non distributed costs	5	0	(5,823)	(5,823)
41,072	(26,180)	14,892	Cost of Services		34,918	(32,968)	1,950
1,940	0	1,940	Other operating expenditure	10	2,034	0	2,034
3,085	(1,462)	1,623	Financing and investment income and expenditure	11	2,164	(1,524)	640
0	(11,004)	(11,004)	Taxation and non-specific grant income	12	0	(11,186)	(11,186)
		7,451	(Surplus) or Deficit on Provision of Services				(6,562)
		0	BTAC (Surplus) or Deficit				(15)
		(1,018)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(3,273)
		16,444	Actuarial (gains) / losses on pension assets / liabilities				(10,682)
		15,426	Other Comprehensive Income and Expenditure				(13,954)
		22,877	Total Comprehensive Income and Expenditure				(20,532)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or relay debt). The second category of reserves is those that the authority is not able to use to provide services. This second category of reserves includes is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31/3/09 £'000	31/3/10 £'000		Notes	31/3/11 £'000
15,566	14,880	Property, Plant and Equipment	13	18,037
6,634	4,243	Investment Property	14	4,633
42	24	Intangible Assets	15	85
3	3	Long Term Investments	16	3
2,055	156	Long Term Debtors	16	186
24,300	19,306	Long Term Assets		22,944
6,560	5,017	Short Term Investments	16	2,532
37	29	Inventories		37
5,102	5,047	Short Term Debtors	17	4,661
164	700	Cash and Cash Equivalents	18	3,881
11,863	10,793	Current Assets		11,111
0	(111)	Short Term borrowing		0
(2,828)	(3,045)	Short Term Creditors	20	(2,374)
(236)	(154)	Short Term Provisions	21	(142)
(3,064)	(3,310)	Current Liabilities		(2,516)
(300)	(64)	Long Term Provisions	21	(62)
(1,000)	(1,000)	Long Term Borrowing	16	(1,000)
(16,249)	(33,052)	Other Long Term Liabilities	16, 23 & 41	(17,272)
(914)	(914)	Capital Grants Receipts in Advance	34	(914)
(18,463)	(35,030)	Long Term Liabilities		(19,248)
14,636	(8,241)	NET ASSETS		12,291
(5,151)	(5,722)	Usable Reserves	9	(7,321)
(9,485)	13,963	Unusable Reserves	23	(4,970)
(14,636)	8,241	TOTAL RESERVES		(12,291)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

2009/10 £'000		2010/11 £'000
7,451	Net (surplus) or deficit on the provision of services	(6,562)
(7,737)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	3,509
521	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	612
235	Net cash flows from Operating Activities (Note 24)	(2,441)
390	Investing Activities (Note 25)	(208)
(1,161)	Financing Activities (Note 26)	(532)
(536)	Net (increase) or decrease in cash and cash equivalents	(3,181)
(164)	Cash and cash equivalents at the beginning of the reporting period	(700)
(700)	Cash and cash equivalents at the end of the reporting period (Note 18)	(3,881)

1. ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Revenue Recognition

Revenue is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in the Council's net worth. It is measured at the fair value of the amount receivable (except for Financial Assets). Non-contractual, non-exchange transactions such as council tax and business rates are measured at the full amount receivable.

Sale of Goods – revenue is recognised when all of the following conditions have been met:

- The authority has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The authority retains neither continuing managerial involvement or effective control over the goods sold.
- The amount of revenue can be reliably measured.
- It is probable that economic benefits or service potential will flow to the authority
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

Rendering of Services – revenue is measured on the basis of percentage completion of the service at the reporting date and when the following conditions have been met:

- The amount of revenue can be reliably measured.
- It is probable that economic benefits or service potential will flow to the authority.
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.
- The stage of completion of the transaction can be reliably measured.

Interest – is calculated using the effective interest method and recognised when:

- The amount of revenue can be reliably measured.
- It is probable that economic benefits or service potential will flow to the authority.

Where an amount is received that does not meet the recognition criteria above, it is treated as a creditor.

Where an amount has not yet been received, but the revenue meets the recognition criteria above, it is treated as a debtor in the balance sheet.

3. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probably that economic benefits or service potential associated with the transaction will flow to the Authority.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 1 month or less at the 31^{st} March and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

5. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding or the Authority's financial performance.

6. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

7. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:
- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service

The Authority is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisations.

8. Employee Benefits

Benefits payable during employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg flexi time) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

9. Post-Employment Benefits

Employees of the Council are offered membership of the Local Government Pensions Scheme, administered by Lincolnshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.4% (based on the indicative rate of return on high quality AA corporate bonds). For comparison, 5.5% was used in 2009/10.
- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into seven components:
    - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service for which the employees worked.
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
    - contributions paid to the Lincolnshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on

the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

10. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. The types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

11. Financial Instruments

Financial Assets

Financial assets are classified into two types;

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

If the Authority were to make a loan to a voluntary organisation at less than market rates (soft loan), and the impact is deemed material, the Accounting treatment would be as follows: When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the different serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the

reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

There are a number of soft loans eg village halls and car loans and these have been identified in the statement but are deemed not to be material in terms of their impact on the Comprehensive Income and Expenditure Statement. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Surplus or deficit on Revaluation of Available-for-sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the Authority's long term borrowing, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, and the interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Provision of Services in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gains/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

12. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

13. Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

14. Business Improvement Districts (BID)

BID Projects are projects for the benefit of a particular area that are financed by a BID levy paid by non domestic ratepayers in the BID area. There is a BID in Central Boston. The Council acts as an agent and the only amounts recognised in the accounts are BID levy collection costs and income shown in the Net Cost of Services

15. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint venture and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. Departures from the Council's accounting policies are detailed in the Notes to the Group Accounts.

16. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

17. Leases

The transition to IFRS necessitates the review of the existing lease arrangements and consideration of the classification and accounting treatment of leases.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

In terms of measuring the fair value of a leased asset with the present value of the minimum lease payments, the effective date of the lease would be the rent review date.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the preset value of the minimum lease payments, if

lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for

the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

18. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used, with the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

19. Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:
- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The de minimus limit for land and buildings is £15,000 and for equipment it is £5,000. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lease to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure, community assets and assets under construction – depreciated historical cost
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacements cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Residual values will be nil, unless otherwise stated.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment
Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Previously specific impairment losses attributable to the clear consumption of economic benefits were fully charged to revenue.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer (straight-line allocation normally over five to ten years)
- Infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

20. Componentisation

Componentisation is a method, used for accounting and financial reporting purposes, to ensure assets are accurately included on the Balance Sheet and that the consumption of economic benefit of these assets is accurately reflected over their individual useful lives through depreciation charges.

The Code requires the separate recognition of two or more significant components of an asset for depreciation purposes – i.e. as if each component was a separate asset in its own right.

The Authority will follow these requirements where significant components of material items of assets have been identified.

A component is defined as such part of an items of property, plant and equipment with a cost that is significant in relation to the total cost of the item, if the value of the component is 25% or more of the total gross carry value of the building.

Even if the cost of a component is significant in relation to the total cost of an item of Property, Plant & Equipment, from an accounting perspective, it is not necessary to identify the value of that component if its useful life and required method of depreciation is in line with the overall asset.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method such parts will be grouped in determining the depreciation charge.

Componentisation will not be applied retrospectively and will be considered only for new revaluations carried out after 1st April 2010 and when enhancement and/or acquisition expenditure is incurred after that date.

Component accounting will only be considered and applied in cases where the omission to recognise and depreciate a separate component may result in material differences in the statement of accounts.

Componentisation will not be applied to items of Property, Plant & Equipment where the depreciation of the item as a single asset is unlikely to result in a material misstatement of either the depreciation charges or the carrying amount of the Property, Plant & Equipment.

The Authority recognises two primary components of a property asset which will be accounted for separately namely:
- Land, and
- Buildings

Componentisation is not applicable to land as land is non-depreciable and is considered to have infinite life.

The Council has determined that any building with a gross carry amount of less than £500,000, useful economic life of less than 15 years or both will not be considered for component accounting on the grounds of not being material.

The Council also recognises three secondary components of the Buildings primary component; namely:
- Structure (e.g. walls, roofs, floors etc)
- Mechanical & Electrical (e.g. plant, lifts, air conditioning, wiring etc)
- Fixtures & Fittings (e.g. windows, kitchens, toilets etc)

At revaluation the basis for componentisation is fair value (EUV) for the relevant asset class.

Where a component is replaced or restored (i.e. enhancement), the carrying amount of the old component shall be derecognised before reflecting the enhancement (applicable from 1st April 2010).

Considering materiality and based on gross carry values, componentisation for secondary components will only be undertaken where the building value exceeds the deminimis level of £500,000 and when the triggers for componentisation are present – i.e. revaluation or enhancement expenditure incurred after 1st April 2010.

21. Disposals and Non-current Assets held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for

depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

22. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

23. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

24. Provisions

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

25. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

26. Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

27. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

28. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

29. Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty’s Revenue and Customs. VAT receivable is excluded from income.

30. Collection Fund

Billing authorities have to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non domestic rates. The Council acts as an agent, collecting and distributing council tax income on behalf of itself and the major precepting authorities, and non domestic rates on behalf of the government.

From 1st April 2009 for both billing and precepting authorities, the council tax income included in their Comprehensive Income and Expenditure Statement shall be the accrued income for the year. Any difference between the income included in the Comprehensive Income and Expenditure Statement and their demand or precept is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. As the collection of council tax is an agency agreement there is a debtor/creditor position between the billing authority and the major preceptors. As billing authority, this Council’s Cash Flow Statement includes in ‘revenue activities’ only its own share of the council tax collected.

The Council collects money from non domestic ratepayers on behalf of the Government. This income does not appear in the Comprehensive Income and Expenditure Statement, nor do debtor and creditor balances and provision for doubtful debts appear in the Council's Balance Sheet.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012 (the Code) has introduced a change in accountancy policy in relation to the treatment of heritage assets held by the authority, which will need to be adopted fully in the 2011/2012 financial statements.

The Authority is required to disclose information relating to the impact of the accounting change in the financial statements as a result of the adoption by the Code of a new standard that has been issued but is not yet required to be adopted by the Authority, in this case heritage assets. Full adoption of the standard will be required for the 2011/2012 financial statements, however the Authority is required to make disclosure of the estimated effect of the new standard in these, the 2010/2011 financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed on the face of the Authority's balance sheet in the 2011/2012 financial statements.

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. The heritage assets held by the Authority are the collections of assets, art and artefacts either exhibited or stored in their museum or council offices. There are five heritage assts as follows:-

- The Guildhall
- Hussey Tower
- The War Memorial
- The Collection of art and artefacts
- The Civic Regalia

Currently, the Guildhall, Hussey Tower and the War Memorial, are accounted for at depreciated historic cost as community assets. These assets were either donated or acquired for no consideration and are therefore held on the Authority's balance sheet at £nil value.

The collections of art, artefacts and civic regalia, have not previously been recognised in the Authority's assets. These assets do not appear in the Authority's fixed asset register but are fully catalogued in records held at the Guildhall. The major items within the collections have been valued for insurance purposes however a number of lower value pieces are as yet unvalued.

The Code will require heritage assets to be measured at valuation in the 2011/2012 financial statements (including the 2010/2011 comparative information). The 2011/2012 Code will permit some relaxation in the valuation requirements of heritage assets and this will mean the Authority is able to recognise more of its heritage assets in the balance sheet. The Authority anticipates that it will be able to recognise the Guildhall, the War Memorial and the major items in the collections of art, artefacts and civic regalia, based on the insurance values it holds for these items. The Authority is unlikely to be able to recognise Hussey Tower and the remaining items in the collections of art, artefacts and civic regalia as it is of the view that obtaining values for these item would involve a disproportionate cost in obtaining the information in comparison to the benefits to the users of the Authority's financial statements. This exemption is permitted by the 2011/2012 Code.

The carrying value of the heritage assets currently held in the balance sheet as community assets within Property, Plant and Equipment at 1st April 2010 is £nil. The authority holds valuations for insurance purposes for two of these assets (provided by Zurich) these values amount to £2,623,449. The major items of the collections of art, artefacts

and civic regalia have been valued (by Bonhams) for insurance purposes at £1,424,365.The total value of £4,047,814 will be recognised as a gain in value in the revaluation reserve in the 2011/2012 financial statements.

The Authority currently estimates that the total value of heritage assets to be recognised in the balance sheet at 1st April 2010 (under the requirements of the 2011/2012 Code) will be £4,048k resulting in a total revaluation gain of the same amount.

There is no depreciation charged on heritage assets currently classed as community assets as the historical cost is recorded as £nil. The Authority considers that the heritage assets held by the Authority will have indeterminable lives and high residual value; hence the Authority does not consider it appropriate to charge depreciation on these assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Authority's heritage assets.
The movement of community assets in the 2010/2011 financial year are set out in the table below, indicating the current expectation of the value as heritage assets in 2011/2012. These are classed as community assets under property, plant and equipment in the 2010/2011 financial statements with the exception of the "unvalued" exhibits, which currently due to their perceived low value are not recorded in the Council's accounts.

Detail	2010/2011 £'000's	2011/2012 £'000's
The Guildhall	0	2,591
The War Memorial	0	32
Hussey Tower	0	0
Collections of art, artefacts and civic regalia	0	1,425
Unvalued art, and artefacts	0	0
Total	0	4,048

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts concern the following:

a. There is high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision. Future plans may have an effect on the assets of the authority for example the provision of bereavement services and these are being governed by the Council's Transformation Programme;
b. One factor that has demonstrably in the past 3 years has had a significant impact on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The following sensitivity analysis estimates the likely impact of changes to the assumptions used when reporting the pension liability.

Change in assumptions used at year ended 31/03/11	Approximate increase in Employer Liability
	£'000
0.5% decrease in Real Discount Rate	4,512
0.5% increase in the Salary Increase Rate	1,555
0.5% increase in the Pension Increase Rate	991
1 year increase in member life expectancy	3,534

c. The Council has no relationships with other entities which take the forma of a parent/subsidiary, associate or joint control arrangement. Because the Council has written-off the loan and has little influence in how BSI (Boston Sports Initiative) operates the Council has concluded it no longer has to prepare consolidated accounts with BSI;
d. It is anticipated no substantial legal claims or appeals will be made against the Council in the next financial year. Any issue that may arise with regards to the Port of Boston (see contingent liability note 42) albeit this is considered unlikely; and
e. No contracts with other bodies need to be accounted for as a service concession or contain an embedded lease

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Most significant estimates are for pensions, bad debts and accruals. Each of these has a different process for making the estimate:

a. Pension estimates are provided by Lincolnshire County Council and we place assurance on the use of suitably qualified professionals to provide this estimate;
b. Bad debt estimates are an officer judgement based on prudent historical collection rates and taking into account knowledge of existing conditions on outstanding debts, particularly given the current economic climate;
c. Purchase accruals – these are low in volume and value, but with items such as utility accruals they are based on past bills / seasonality / readings with officer judgement and current contract prices;
d. Provisions are similar to purchase accruals being low in both volume and value;

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Actuary's move from valuing the Pension Fund from RPI to CPI has resulted in a large reduction in the liabilities recognised in the balance sheet. This reduction of £5.8m is a negative past service cost and so has been recognised in the net cost of services in the Comprehensive Income and Expenditure account, under non distributed costs.

6. EVENTS AFTER THE BALANCE SHEET DATE

At the time of completing the draft statement of accounts there are no anticipated post balance sheet events.

7. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. An explanation of the differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements is set out in the following tables and notes that accompany the tables.

RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO IFRS AT THE DATE OF TRANSITION TO IFRS (1ST APRIL 2009)

		Effect of Transition to IFRS						
	31/3/09GAAP	Absences	Leases	Grants	Assets	Provisions	Cash & Cash Equivalents	IFRS
Note ref:		A	B	C	D	E	F	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant & Equipment	14,376	0	963	0	227	0	0	15,566
Investment Property	6,862	0	0	0	(228)	0	0	6,634
Intangible Assets	42	0	0	0	0	0	0	42
Long Term Investments	12	0	(9)	0	0	0	0	3
Long Term Debtors	2,055	0	0	0	0	0	0	2,055
Long Term Assets	23,347	0	954	0	(1)	0	0	24,300
Short Term Investments	6,836	0	9	0	0	0	(285)	6,560
Inventories	37	0	0	0	0	0	0	37
Short Term Debtors	5,099	0	3	0	0	0	0	5,102
Cash and Cash Equivalents	215	0	0	0	0	0	(51)	164
Current Assets	12,187	0	12	0	0	0	(336)	11,863
Bank Overdraft	(336)	0	0	0	0	0	336	0
Short Term Creditors	(2,702)	0	(298)	172	0	0	0	(2,828)
Provisions	0	(124)	300	0	0	(412)	0	(236)
Current Liabilities	(3,038)	(124)	2	172	0	(412)	336	(3,064)
Long Term Creditors	(193)	0	193	0	0	0	0	0
Provisions	(412)	0	(300)	0	0	412	0	(300)
Long Term Borrowing	(1,000)	0	0	0	0	0	0	(1,000)
Other Long Term Liabilities (Pension & Finance Leases)	(15,533)	0	(716)	0	0	0	0	(16,249)
Government Grants Deferred	(3,366)	0	0	3,366	0	0	0	0
Usable Capital Grants Reserve	(538)	0	0	538	0	0	0	0
Capital Grants Receipts in Advance	0	0	0	(914)	0	0	0	(914)
Long Term Liabilities	(21,042)	0	(823)	2,990	0	412	0	(18,463)
NET ASSETS	11,454	(124)	145	3,162	(1)	0	0	14,636
Usable Reserves	(4,479)	0	0	(672)	0	0	0	(5,151)
Unusable Reserves	(6,975)	124	(145)	484	(2,973)	0	0	(9,485)
TOTAL RESERVES	(11,454)	124	(145)	(188)	(2,973)	0	0	(14,636)

RECONCILIATION OF NET WORTH REPORTED UNDER PREVIOUS GAAP TO NET WORTH UNDER IFRS AT THE END OF THE LATEST PERIOD PRESENTED IN THE MOST RECENT FINANCIAL STATEMENTS UNDER PREVIOUS GAAP (31ST March 2010)

		Effect of Transition to IFRS						
	31/03/2010 GAAP	Absences	Leases	Grants	Assets	Provisions	Cash and Cash Equivalents	IFRS
Note ref:		A	B	C	D	E	F	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant & Equipment	13,888	0	(81)	0	1,073	0	0	14,880
Investment Property	4,326	0	0	0	(83)	0	0	4,243
Intangible Assets	24	0	0	0	0	0	0	24
Long Term Investments	3	0	0	0	0	0	0	3
Long Term Debtors	156	0	0	0	0	0	0	156
Long Term Assets	18,397	0	(81)	0	990	0	0	19,306
Short Term Investments	5,804	0	0	0	0	0	(787)	5,017
Inventories	29	0	0	0	0	0	0	29
Short Term Debtors	5,045	0	0	0	0	0	0	5,046
Cash and Cash Equivalents	222	0	0	0	0	0	478	700
Current Assets	11,100	0	0	0	0	0	(309)	10,792
Bank Overdraft	(309)	0	0	0	0	0	309	0
Short Term Borrowing	(111)	0	0	0	0	0	0	(111)
Short Term Creditors	(3,110)	0	(170)	235	0	0	0	(3,045)
Provisions	0	(130)	0	0	0	(24)	0	(153)
Current Liabilities	(3,530)	(130)	(170)	235	0	(24)	309	(3,309)
Long Term Creditors	(107)	0	107	0	0	0	0	0
Provisions	(88)	0	0	0	0	24	0	(64)
Long Term Borrowing	(1,000)	0	0	0	0	0	0	(1,000)
Other Long Term Liabilities	(32,485)	0	(567)	0	0	0	0	(33,052)
Government Grants Deferred	(1,015)	0	0	1,015	0	0	0	0
Usable Capital Grants Reserve	(365)	0	0	365	0	0	0	0
Capital Grants Receipts in Advance	0	0	0	(914)	0	0	0	(914)
Long Term Liabilities	(35,060)	0	(460)	466	0	24	0	(35,030)
NET ASSETS	(9,093)	(130)	(711)	701	990	0	0	(8,241)
Usable Reserves	(5,160)	(173)	0	389	0	0	0	(5,722)
Unusable Reserves	14,253	130	(97)	(138)	(185)	0	0	13,963
TOTAL RESERVES	(9,093)	43	97	527	185	0	0	(8,241)

RECONCILIATION TO TOTAL COMPREHENSIVE INCOME & EXPENDITURE UNDER IFRS FOR THE LATEST PERIOD IN THE MOST RECENT ANNUAL FINANCIAL STATEMENTS (YEAR ENDED 31ST MARCH 2010)

	Net Expenditure					
	31/3/10 GAAP	Absences	Leases	Grants	Other	IFRS
Note Ref:		A	B	C		
	£000	£000	£000	£000	£000	£000
Gross Expenditure, gross income and net expenditure of continuing operations						
Central Services to the public	906	(10)	(2)		(1)	893
Cultural, environmental, regulatory and planning services	7,516	29	(30)	11	2,061	9,588
Highways and Transport services	(189)	2		31		(156)
Housing Services	727	(12)		163	(1)	877
Exeptional items not included in costs of specific services	1,911					1,911
Corporate and Democratic Core	1,625	1			39	1,665
Non Distributed Costs	114					114
Cost of Services	12,610	10	(32)	205	2,098	14,892
Drainage board, BTAC and Parish Council Precepts	1,940				(1,940)	0
Deficit on trading undertakings not included in Net Cost of Services	262				(262)	0
Interest Payable and similar charges	117				(117)	0
Interest and investment income	(132)				132	0
Capital receipts not linked to disposal of fixed assets	0					0
Interest Cost on pension fund	2,904				(2,904)	0
Expected return on pension assets	(1,720)				1,720	0
Other Operating Expenditure					1,940	1,940
Financing and Investment Income and Expenditure	0	(4)	0	2,294	(667)	1,623
Surplus or deficit of Discontinued Operations	0					0
Taxation and Non-Specific Grant Income	(11,004)					(11,004)
(Surplus) or Deficit on Provision of Services	4,977	6	(32)	2,499	0	7,451
Surplus or deficit on revaluation of non current assets	(873)				(145)	(1,018)
other	(2)				2	0
Actuarial gains / losses on pension assets / liabilities	16,444					16,444
Other Comprehensive Income and Expenditure	15,569	0	0	0	(143)	15,426
Total Comprehensive Income and Expenditure	20,546	6	(32)	2,499	(143)	22,877

Notes to IFRS Restatement:

A Short Term Accumulating Compensated Absences:

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required. The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are taken.

B Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relating to account for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged for existing leases. Where the Authority is the lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Authority has two property leases where the accounting treatment has changed following the introduction of the Code. The Authority leases the Fen Road Depot and 46 West Street over a 10 year lease term. These leases were previously classified as an operating lease, but under the Code, the buildings element of the leases has been classified as finance leases. As a consequence of classifying the buildings element of the leases as finance leases, the financial statements have been amended as follows:

- The Authority has recognised assets (the buildings) and a finance lease liability
- The operating lease charge within Cultural, Environmental, Regulatory and Planning Services has been reduced by the amount that relates to the buildings element of the lease payments.
- A depreciation charge has been included with Cultural, Environmental, Regulatory and Planning Services
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account).

Leases for vehicles and wheelie bins were also reclassified from operating leases to finance leases, and the Balance Sheets for 2008/09 and 2009/10 were amended to reflect this change. However, the leases for these all expired by 31st March 2010 and so do not affect the accounts for 2010/11 other than a depreciation charge for the final year for the vehicles.

C Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31st March 2009 has been transferred to the Capital Adjustment Account in the 1st April 2009 Balance Sheet.
- Some of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants were received in 2009/10, but not fully used. Previously, the income used in financing the capital expenditure it related to was recognised in the Comprehensive Income and Expenditure Statement. The remaining balance of unused grants was previously shown in the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grants are recognised in full, and any unused grant is transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

D Assets

The adoption of IFRS should not cause any significant fluctuations in the value of assets. The changes seen in the value of the Council's assets in 2010/11 are due to a change in estimation techniques used by the professional valuers engaged to perform this work on behalf of the Council.

The Code has introduced some tighter definitions for investment properties which has resulted in the reclassification of one property from investment properties to property plant and equipment.

Similarly the Code has defined the criteria for surplus assets held for sale as being those which are actively marketed and that a sale is highly probable within a year of the balance sheet date – this has resulted in the reclassification of assets as being surplus operational rather than surplus available for sale with the exception of one property which has been classified as in investment property.

E Provisions

Some provisions have been reclassified as short term as they are expected to be spent in the following year.

F Cash and Cash Equivalents

A change in accounting policy has resulted in some short term investments and the bank overdraft being reclassified as cash and cash equivalents in the Balance Sheet.

G Capital Grants Received in Advance

There is a balance of £914,064 held on the Capital Grants Received in Advance account in the Balance Sheet. Readers will note that this balance has not changed. The account reflects that the Council has obligations to fulfil outstanding conditions specified by the grant providers and is unable to recognise this income until the conditions have been satisfied. The grants are:

Grant Provider	Amount	Relating to
Heritage Lottery Fund	£877,000	Guildhall
English Heritage	£37,500	Heritage Property

H Other

There are other minor adjustments that are included to provide a complete analysis of the transition including reclassifying expenditure on different lines of the Comprehensive Income and Expenditure account.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	General Fund Balance	Capital receipts Reserve	Capital Grants Unapplied	Unusable Reserves	Pensions Reserve	Capital Adjustment Account	Capital Adjustment Account	Accumulated Absences Account
2009/10	£'000	£'000	£'000	£'000	£'000	£'000		
Depreciation/amortisation	826			(826)		(826)		
Impairment/revaluation losses (charged to I&E)	3,741			(3,741)		(3,741)		
Capital grants and contributions	(655)		655	0				
Revenue Expenditure Funded from Capital under Statute	2,005		(790)	(1,215)		(1,215)		
Profit/loss on sale of non current assets	(2)			2		2		
Net retirement benefits per IAS19	1,821			(1,821)	(1,821)			
Adjustments for amounts recognise as I&E relating to financial instruments	1,911			(1,911)		(1,911)		
Council Tax adjustment	(1)			1			1	
Statutory Repayment of Debt (Finance Lease Liabilities)	(190)			190		190		
Employers contributions to pension schemes	(1,313)			1,313	1,313			
Other adjustments include				0				
Capital receipts not linked to disposal of fixed assets		6						
Accumulated absence adjustment				(6)				(6)
Total Adjustments	8,143	6	(135)	(8,014)	(508)	(7,501)	1	(6)
2010/11	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Depreciation/amortisation (excl HRA depn)	741			(741)		(741)		
Impairment/revaluation losses (charged to I&E)	(834)			979		979		
Capital grant and contributions	(600)		(16)	616		616		
Revenue Expenditure Funded from Capital under Statute (England and Wales)	836			(836)		(836)		
Profit/loss on sale of non current assets	39	10		(49)		(49)		
Net retirement benefits per IAS19 (FRS17)	(3,793)			3,793	3,793			
Council tax adjustment	(21)			21			21	
Statutory Repayment of Debt (Finance Lease Liabilities)	(69)			69		69		
Employers contributions to pension schemes	(1,207)			1,207	1,207			
Revenue contribution to finance capital	(63)			63		63		
Other adjustments include								
Capital receipts not linked to disposal of fixed assets	(2)	2		0				
Transfers between unusable reserves				(145)		(145)		
Total Adjustments	(4,973)	12	(16)	4,977	5000	(44)	21	0

9. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves with balances above £100,000 at 31st March 2011 to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11. It also includes a total for other useable reserves, such as the General Fund, with the overall total agreeing to the Balance Sheet.

		Movements 2009/10			Movements 2010/11			
	Balance 1/4/09 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31/3/10 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31/3/11 £'000	Purpose of Reserve
Capital Funding	2,388	0	(96)	2,292	788		3,080	Formerly the Regeneration Reserve
Transformation Reserve	0	666	0	666	52	0	718	To be used during 2010/11 and beyond to fund the Transformation programme
Repairs and Renewals	104	274	0	378	313		691	Formerly the Capital Financing Reserve
ICT Reserve	161	0	(59)	102	202		304	Formerly the Strategic Issues reserves
DCLG Homelessness	112	0	46	158	72		230	Revenue grant funding for Homelessness expenditure
Climate change reserve	23	22	0	45	183		228	Funding the climate change projects and risks associated with increasing energy prices
Value added tax Partial Exemption	0	68	0	68	71		139	Source of funds in the event of exceeding value added tax partial exemption limit.
Misc. Earmarked Reserves	620	153	(260)	513	21	(422)	112	Various reserves with balances under £100,000 at 31/3/11
Total	3,408	1,183	(369)	4,222	1,702	(422)	5,502	
Other Useable Reserves	1,743	9	(252)	1,500	335	(16)	1,819	Mainly General Fund /and Capital Grants Unapplied (refer to the MIRS)
Total Useable Reserves	5,151	9	(252)	5,722	335	(16)	7,321	

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

10. OTHER OPERATING EXPENDITURE

2009/10 £'000		2010/11 £'000
261	Parish Precepts	271
	Drainage Board	
919	Witham Fourth	943
710	Black Sluice	721
48	Welland and Deeping	49
2	South Holland	1
0	Loss on de-recognition and disposal of property	49
1,940		2,034

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £'000		2010/11 £'000
156	Interest payable and similar charges	139
1,184	Pensions interest cost and expected return on pensions assets	1,022
(170)	Interest receivable and similar charges	(173)
163	Income and expenditure in relation to investment properties (see note 14)	(436)
290	Trading Accounts (see note 29)	88
1,623	Total	640

12. TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10 £'000		2010/11 £'000
(3,471)	Council tax income	(3,559)
(5,767)	Non domestic rates	(6,341)
(1,332)	Revenue Support Grant	(921)
(434)	Non-ringfenced government grants	(287)
0	Capital grants	(78)
(11,004)	Total	(11,186)

NOTES TO THE BALANCE SHEET

13. PROPERTY, PLANT AND EQUIPMENT

	Other Land and Buildings £'000	Vehicles, Plant Furniture, & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	**Total Property Plant and Equipment £'000**
Cost or Valuation							
At 1 April 2010	15,214	4,370	2,193	0	18	1	21,796
additions	5	182	0	4	0	0	190
revaluation increases/(decreases) recognised in the Revaluation Reserve	3,242	51	0	0	0	0	3,293
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	513		0	(4)	0	0	513
derecognition- other	(27)	(34)	0	0	0	(1)	(62)
At 31 March 2011	18,946	4,569	2,193	0	18	0	25,730
Accumulated Depreciation and Impairment							
at 1 April 2010	(2,621)	(3,376)	(919)	0	0	0	(6,916)
depreciation charge	(269)	(358)	(88)	0	0	0	(549)
impairment losses/(reversals) recognised in the Revaluation Reserve	(20)	0	0	0	0	0	(48)
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(48)	(6)	0	0	0	0	(25)
derecognition – other		16	0	0	0	0	16
At 31 March 2011	(2,957)	(3,724)	(1,007)	0	0	0	(7,692
Net Book Value							
at 31 March 2011	15,989	845	1,186	0	18	0	18,037
at 31 March 2010	12,593	994	1,274	0	18	1	14,880
at 31 March 2009	12,921	1,266	1,361	0	18	0	15,566

Comparative Movements in 2009/10	Other Land and Buildings '£000	Vehicles, Plant Furniture, & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
Cost or Valuation							
At 1 April 2009	15,500	4,227	2,192	0	18	0	21,937
additions	0	143	0	20	0	1	164
revaluation increases/(decreases) recognised in the Revaluation Reserve	507	0	0	0	0	0	507
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	(20)	0		(20)
At 31 March 2010	16,007	4,370	2,192	0	18	1	22,588
Accumulated Depreciation and Impairment							
at 1 April 2009	(2,580)	(2,961)	(831)	0	0	0	(6,372)
depreciation charge	(41)	(414)	(88)	0	0	0	(543)
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(794)	0	0	0	0	0	(794)
At 31 March 2010	(3,415)	(3,375)	(919)	0	0	0	(7,709)

Comparative Movements in 2008/09	Other Land and Buildings £'000	Vehicles, Plant Furniture, & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
Cost or Valuation							
At 1 April 2008	16,942	2,762	2,192	0	18	0	21,914
additions	110	1,465	0	20	0	1	1,596
revaluation increases/(decreases) recognised in the Revaluation Reserve	19	0	0	0	0	0	19
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,937)	0	0	(20)	0	0	(1,957)
derecognition- other	969	0	0	0	0	0	969
At 31 March 2009	16,103	4,227	2,192	0	18	1	22,541
Accumulated Depreciation and Impairment							
at 1 April 2008	(2,762)	(1,565)	(750)	0	0	0	(5,077)
depreciation charge	182	(1,396)	(81)	0	0	0	(1,295)
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(602)	0	0	0	0	0	(602)
At 31 March 2009	(3,182)	(2,961)	(831)	0	0	0	(6,974)

13.1 Depreciation

Depreciation on land and buildings is calculated based on the estimated remaining useful lives of individual assets which is assessed by professional valuers on behalf of the Council.

The following ranges of remaining useful lives are used:

Property Land and Buildings	2-100 years
Vehicles, Plant, Furniture and Equipment	1-9 years

13.2 Capital Commitments

The Authority has no capital commitments in respect of construction or enhancement of fixed assets.

13.3 Effects of Changes in Estimates

In 2010/11 the authority's professional valuers adopted the modern equivalent asset life when valuing specialist properties – the adoption of this estimating technique has resulted in an increase in asset values of around £3.3m.

13.4 Revaluations

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at the least every five years. All valuations are carried out by external, suitably qualified professional valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on historic cost.

	Other Land and Buildings £'000	Vehicles, Plant Furniture, & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
Carried at historical cost							
31 March 2009		1,266	1,361			0	2,627
31 March 2010		994	1,274			1	2,269
31 March 2011		844	1,186			0	2,030
valued at fair value as at							
31 March 2009	12,921			0	18		12,939
31 March 2010	12,593			0	18		12,612
31 March 2011	15,989			0	18		16,007
Total Cost or Valuation							
31 March 2009	12,921	1,266	1,361	0	18	0	15,566
31 March 2010	12,593	994	1,274	0	18	1	14,880
31 March 2011	15,989	844	1,186	0	18	0	18,037

14. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2009/10 £'000	2010/11 £'000
Rental income from investment property	(228)	(247)
Direct operating expenses arising from investment property	391	(189)
Net (gain) / loss	163	(436)

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has not contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Balance at start of the year	3,683	6,634	4,243
Additions:			
• Construction	3,164		
• Subsequent expenditure		47	
Disposals			(5)
Net gains/losses from fair value adjustments	35	(2,438)	395
Transfers:			
• to/from Property, Plant and Equipment	(230)		
• Other changes	(18)		
Balance at end of the year	6,634	4,243	4,633

15. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets; there are no items of capitalised software that are individually or collectively material to the financial statements. There are no material contractual commitments for intangible assets. The total amount of intangible assets held on the balance sheet is £85,150 with the largest of these being the email system which was completed in 2010/11. Software assets are depreciated over 2-5 years depending on their period of usefulness to the Council.

16. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term (£'000)			Current (£'000)		
	31/3/09	31/3/10	31/3/11	31/3/09	31/3/10	31/3/11
Investments						
Loans and receivables	3	3	3	6,560	5,017	2,532
Total Investments	3	3	3	6,560	5,017	2,532
Debtors						
Loans and receivables	2,055	156	186	5,102	5,047	4,661
Total Debtors	2,055	156	186	5,102	5,047	4,661
Borrowings						
Financial liabilities at amortised cost	(1,000)	(1,000)	(1,000)	0	0	0
Total Borrowings	(1,000)	(1,000)	(1,000)	0	0	0
Other Long Term Liabilities						
Liabilities re finance leases	(770)	(602)	(511)	(294)	(168)	(107)
Total other long term liabilities	(770)	(602)	(511)			
Creditors						
Financial liabilities at contract amount	0	0	0	(2,534)	(2,877)	(2,267)
Total creditors	0	0	0	(2,828)	(3,045)	(2,374)

Income, Expense, Gains and Losses

	2009/10 £'000			2010/11 £'000		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
Interest expense	(111)	0	(111)	(111)	0	(111)
Interest expense on Finance Leases	(45)		(45)	(28)		(28)
Impairment losses	0	(1,911)	(1,911)	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	(156)	(1,911)	(2,068)	(139)	0	(139)
Interest income	0	170	170	0	173	173
Total income in Surplus or Deficit on the Provision of Services	0	170	170	0	173	173
Net gain/(loss) for the year	(156)	(1,741)	(1,898)	(139)	173	34

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

- For loans from PLWB and other loans payable. Borrowing/premature repayments rates of 4.59% from PWLB have been used to provide the fair value.
- The same rates as above have been used in respect of long term creditors, which relate to outstanding obligations under finance leases.
- The Authority currently has no significant long term investments.
- Long term debtors mainly relate to staff car loans, the difference between the carrying value and the fair value would not be material.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31/3/09 £'000		31/3/10 £'000		31/3/11 £'000	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities						
Long-term creditors	(717)	(974)	(566)	(801)	(469)	(563)
Loans and receivables	(1,000)	(2,197)	(1,000)	(2,250)	(1,000)	(2,292)
Assets						
Long-term debtors	2,055	2,055	155	155	192	192
Long-term investments	3	3	3	3	3	3
	341	(1,113)	(1,407)	(2,892)	(1,275)	(2,660)

The fair value of the liabilities is greater than the carrying amount because the Authority's loan is a fixed rate loan where the interest rate payable is higher than the prevailing rates for a similar loan at the Balance Sheet date.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

17. DEBTORS

	31/3/09 £'000	31/3/10 £'000	31/3/11 £'000
Central government bodies	1,092	1,443	448
Other Local Authorities	50	29	39
Other entities and individuals	3,960	3,575	4,174
Total	5,102	5,047	4,661

18. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	31/3/09 £'000	31/3/10 £'000	31/3/11 £'000
Cash held by the authority	2	2	1
Bank current accounts	(123)	(89)	(1,293)
Call and Short term deposits with Counterparties	285	787	5,173
Total Cash and Cash Equivalents	164	700	3,881

19. ASSETS HELD FOR SALE

The authority has no material assets held for sale in the statement of accounts.

20. CREDITORS

	31/3/09 £'000	31/3/10 £'000	31/3/11 £'000
Central government bodies	(156)	(147)	(190)
Other local authorities	(128)	(121)	(2)
Other entities and individuals	(2,544)	(2,777)	(2,182)
Total	(2,828)	(3,045)	(2,374)

21. PROVISIONS

	Outstanding Legal Cases £'000	Other provisions £'000	Total £'000
Balance at 1 April 2008	141	395	536
Balance at 1 April 2009	24	194	218
Additional provisions made in 2010/11	0	8	8
Amounts used in 2010/11	(10)	0	(10)
Unused amounts reversed in 2010/11	0	(12)	(12)
Balance at 31 March 2011	14	190	204

Outstanding Legal Cases

The Authority has one legal case in progress that has been provided for relating to Police charging for the Mayfair, an ongoing dispute of who is liable for the extra charges incurred from the Police in relation to the Mayfair. The Provision of £14,600 relates to Police charges for the 2008 Mayfair that remain unpaid.

Other Provisions

All other provisions are individually insignificant, and are detailed below – they include £127,186 for the Accumulated Absences Provision that is reversed in the following year.

	Long Term (£'000)			Current (£'000)		
	31/3/09	31/3/10	31/3/11	31/3/09	31/3/10	31/3/11
	£'000	£'000	£'000	£'000	£'000	£'000
Events Policy Provision				31	24	15
Building Maintenance				30	0	0
Accumulated absences account				124	130	127
Commuted Sums	185	0	0			
Concessionary Travel	100	0	0			
St Botolphs Church insurance	12	12	0			
Other	3	52	62	51	0	0
	300	64	62	236	154	142

22. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 9.

23. UNUSABLE RESERVES

	31/3/09	31/3/10	31/3/11
	£'000	£'000	£'000
Revaluation Reserve (Note 23.1)	(1,635)	(2,614)	(5,741)
Capital Adjustment Account (Note 23.2)	(23,448)	(15,980)	(16,082)
Deferred Capital Receipts Reserve (Note 23.3)	(18)	(17)	(15)
Pensions Reserve (Note 23.4)	15,533	32,485	16,803
Collection Fund Adjustment Account (Note 23.5)	(41)	(41)	(62)
Accumulated Absences Account (Note 23.6)	124	130	127
Total Unusable Reserves	(9,485)	13,963	(4,970)

23.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance of the Capital Adjustment Account.

	31/3/09 £'000	31/3/10 £'000	31/3/11 £'000
Balance at 1 April	(617)	(1,635)	(2,614)
Upward revaluation of assets	(563)	(1,017)	(3,320)
Downward revaluation of assets and impairement losses not charged to the Surplus/Deficit on the Provision of Services	101	0	48
Difference between fair value depreciation and historical cost depreciation	22	38	0
Amount written out of the Capital Adjustment Account	(578)	0	145
Balance at 31 March	(1,635)	(2,614)	(5,741)

23.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of the acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Authority holds no donated assets. The Account also contains revaluation gains cumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Balance at 1 April	(25,319)	(23,447)	(15,980)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
• Charges for depreciation and impairment of non-current assets	1,848	751	717
• Revaluation losses on Property, Plant and Equipment	(582)	3,742	(439)
• Amortisation of intangible assets	43	42	24
• Revenue expenditure funded from capital under statute	1,241	1,215	836
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	37		49
• Capitalised items written off		1,911	
	(22,732)	(15,786)	(14,793)
Adjusting amounts written out of the Revaluation Reserve			(145)
Capital financing applied in the year:			
• Use of the Capital Receipts Reserve to finance new capital expenditure	4	4	
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,010)		(616)
• Statutory provision for the financing of capital investment charged against the General Fund	1,320	(198)	(69)
• Capital expenditure charged against the General Fund	(30)	0	(63)
	(716)	(193)	(748)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement			(395)
Balance at 31 March	(23,448)	(15,981)	(16,082)

23.3 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non- current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Balance at 1 April	(23)	(18)	(17)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	5	1	2
Balance at 31 March	(18)	(17)	(15)

23.4 Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Balance at 1 April	10,168	15,533	32,485
Actuarial (gains) or losses on pensions assets and liabilities	5,044	16,444	(10,174)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,635	1,821	106
Employers pensions contributions and direct payments to pensioners payable in the year	(1,314)	(1,313)	(5,614)
Balance at 31 March	15,533	32,485	16,803

23.5 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Balance at 1 April	(40)	(41)	(41)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1)	0	(21)
Balance at 31 March	(41)	(41)	(62)

23.6 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require the impact of the General Fund Balance is neutralising by transfers to or from the Account.

	2008/09	2009/10	2010/11
	£'000	£'000	£'000
Balance at 1 April	0	124	130
Settlement or cancellation of accrual made at the end of the preceding year	0	(124)	(130)
Amounts accrued at the end of the current year	124	130	127
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(124)	(130)	(127)
Balance at 31 March	124	130	127

NOTES TO THE CASH FLOW STATEMENT

24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2009/10 £'000		2010/11 £'000
(271)	Interest received	(158)
111	Interest paid	111
11	Finance lease interest paid	28
(149)		(19)

25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2009/10 £'000		2010/11 £'000
608	Purchase of Property Plant and Equipment, Investment Property and Intangible Assets	404
0	Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	(10)
(127)	Capital Grants	(600)
(91)	Other receipts from investing activities	(2)
390	Net cash flows from investing activities	(208)

26. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2009/10 £'000		2010/11 £'000
0	Cash receipts of short and long term borrowing	0
(1,452)	Other receipts from financing activities	(53)
139	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	166
0	Repayments of short and long term borrowing	0
0	Other payments for financing activities	(2,500)
152	Amounts relating to major preceptors & NNDR	1,855
(1,161)	Net cash flows from investing activities	(532)

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of Governance reports analysed across service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Support Services recharges are not included in the Governance reports to Cabinet

The income and expenditure (including support service recharges) of the Authority's principal service areas recorded in the Quarter 4 Governance Report (2010/11 only) for the year is as follows:

Table1: 2009/10 Resource Allocation

Boston Borough Council Income and Expenditure 2009/10	Corporate Team	Business Transformat ion	Exceptional Items	Finance & Ict	Hsg Property Communities	Leisure	Operations	Planning & Strategy	Regulatory Services	Rev Bens & Cust Servs	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other service income	(543)	(1,468)	0	(1,971)	(1,674)	(882)	(3,293)	(1,885)	(633)	(680)	(13,029)
Government Grants	0	0	0	(192)	(185)	(256)	(25)	(6)	(13)	(19,897)	(20,574)
Total Income	(543)	(1,468)	0	(2,163)	(1,859)	(1,138)	(3,318)	(1,891)	(646)	(20,577)	(33,603)
Employee Expenses	472	1,174	0	578	872	732	2,008	1,070	1,068	1,044	9,018
Other Service Expenses	6	496	1,911	1,462	1,264	824	1,647	808	293	19,374	28,084
Support Service recharges	117	467	0	1,552	693	272	1,458	567	470	674	6,271
Total Expenditure	595	2,137	1,911	3,592	2,829	1,828	5,113	2,445	1,831	21,092	43,373
Net Expenditure	52	669	1,911	1,429	970	690	1,795	554	1,185	515	9,770

Table 2: 2010/11 Resource Allocation

Boston Borough Council Income and Expenditure 2010/11	Corporate Team	Business Transformation	Exceptional Items	Finance & Ict	Hsg Property Communities	Leisure	Operations	Planning & Strategy	Regulatory Services	Rev Bens & Cust Servs	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other service income	(519)	(1,099)	0	(2,112)	(1,527)	(751)	(2,948)	(1,703)	(580)	(507)	(11,745)
Government Grants	0	(1)	0	(278)	(348)	(112)	(25)	(81)	(66)	(21,297)	(22,209)
Total Income	(519)	(1,100)	0	(2,390)	(1,875)	(863)	(2,973)	(1,784)	(645)	(21,804)	(33,954)
Employee Expenses	450	932	0	666	897	717	1,917	1,035	1,169	910	8,692
Other Service Expenses	11	359	0	1,286	1,027	804	1,561	761	265	20,845	26,919
Support Service recharges	64	477	0	1,289	802	220	1,320	526	328	551	5,578
Total Expenditure	524	1,768	0	3,241	2,726	1,741	4,798	2,322	1,762	22,307	41,189
Net Expenditure	5	668	0	851	851	877	1,825	538	1,117	503	7,235
Net Support Services Adjustment	435	435	0	595	297	(215)	(309)	(517)	(420)	(343)	(42)
Net Expenditure Excluding Recharges (Quarter 4 Outturn)	440	1,103	0	1,446	1,148	662	1,516	21	697	160	7,193

Reconciliation of Boston Borough Council Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Boston Borough Council income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Table 3: Reconciliation table

	2009/10 £'000	2010/11 £'000
Net Expenditure in the Boston Borough Council Analysis	9,770	7,235
Net Expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5,405	(5,806)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(283)	521
Cost of Services Comprehensive Income and Expenditure Statement	14,892	1,950

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus of Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Table 4: Reconciliation table 2009/10

2009/10	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(13,029)	0	0	1,291	(11,738)	(1,291)	(13,029)
Interest and investment income	0	0	0	170	170	(170)	0
Income from council tax	0	0	0	0	0	(3,471)	(3,471)
Government grants and contributions	(20,575)	0	(657)	1	(21,231)	(7,534)	(28,765)
Total Income	(33,604)	0	(657)	1,462	(32,799)	(12,466)	(45,265)
Employee expenses	9,019	0	(659)	(615)	7,744	615	8,360
Other service expenses	28,084	0	0	(463)	27,621	463	28,084
Support Services recharges	6,271	0	0	(489)	5,782	489	6,271
Depreciation, amortisation and impairment	0	0	6,721	(178)	6,543	178	6,721
Pension Adjustments	0	0	0	0	0	1,184	1,184
Interest Payments	0	0	0	0	0	156	156
Precepts and Levies	0	0	0	0	0	1,940	1,940
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	0
Total expenditure	43,374	0	6,062	(1,745)	47,691	5,025	52,716
Surplus or deficit on the provision of services	9,770	0	5,405	(283)	14,892	(7,441)	7,451

Table 5: Reconciliation table 2010/11

2010/11	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(6,066)	0	0	1,349	(4,717)	(1,349)	(6,066)
Support Service Recharge income	(5,680)	0	0	0	(5,680)	0	(5,680)
Interest and investment income	0	0	0	173	173	(173)	0
Income from council tax	0	0	0	0	0	(3,559)	(3,559)
Government grants and contributions	(22,209)	0	(522)	2	(22,729)	(7,629)	(30,358)
Total Income	(33,954)	0	(522)	1,524	(32,952)	(12,710)	(45,662)
Employee expenses	8,692	0	0	(628)	8,064	628	8,692
Other service expenses	26,919	0	0	(385)	26,534	385	26,919
Support Services recharges	5,578	0	0	(378)	5,200	378	5,578
Depreciation, amortisation and impairment	0	0	787	388	1,175	(388)	787
Pension Adjustments	0	0	(6,022)	0	(6,022)	1,022	(5,000)
Interest Payments	0	0	0	0	0	139	139
Precepts and Levies	0	0	0	0	0	1,985	1,985
Gain or loss on disposal of fixed assets	0	0	(49)	0	(49)	49	0
Total expenditure	41,189	0	(5,284)	(1,003)	34,902	4,198	39,100
Surplus or deficit on the provision of services	7,235	0	(5,806)	521	1,950	(8,512)	(6,562)

28. ACQUIRED AND DISCONTINUED OPERATIONS

The authority has not acquired or discontinued any operations during 2010/11.

29. TRADING OPERATIONS

The Authority has established 3 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

2009/10				2010/11		
Gross Expenditure	Gross Income	Net Deficit / (Surplus)		Gross Expenditure	Gross Income	Net Deficit / (Surplus)
£'000	£'000	£'000	Trading Activity	£'000	£'000	£'000
864	(713)	151	Grounds Maintenance	687	(704)	(17)
221	(154)	67	Trade Waste	232	(204)	28
262	(190)	72	Markets	274	(197)	77
1,347	(1,057)	290	Total for the year	1,193	(1,105)	88

30. AGENCY SERVICES

The authority has an agency agreement with Lincolnshire County Council to manage Redstone Travellers Site, for which it is paid a management fee. The fee covers the cost of maintaining the land and collection of rents.

	2009/10	2010/11
Expenditure	£'000	£'000
Management and maintenance	53	53
Administrative costs	4	5
Income from rents and other charges	(49)	(61)
Total amount reimbursable by / (to) Lincolnshire County Council	8	(3)

31. MEMBERS' ALLOWANCES

The Authority paid the following amounts to members of the council during the year.

	2009/10	2010/11
	£'000	£'000
Allowances	114	118
Expenses	7	5
Total	121	123

32. OFFICERS' REMUNERATION

	2010/11				
	£	£	£	£	£
Job Title	Salary (including fees and allowances)	Expenses allowance	Total remuneration, excluding pension contributions	Employer's Pension contribution	Total remuneration, including pension contributions
Chief Executive	107,700	0	107,700	0	107,700
The occupant of this post is not a direct employee of the authority, but is contracted on an interim consultancy basis.					
Strategic Director & Deputy Chief Executive	77,821	1,428	79,249	19,064	98,313
Strategic Director (S151)	79,086	1,530	80,616	0	80,616
This post is shared 50% with East Lindsey District Council however the officer is employed by Boston Borough Council and so is shown at 100% in this note.					
Head of Business Transformation	46,042	0	46,042	10,682	56,724
The post holder works part time, the annualised salary for this post would be £50,217					

	2009/10				
	£	£	£	£	£
Job Title	Salary (including fees and allowances)	Expenses allowance	Total remuneration, excluding pension contributions	Employer's Pension contribution	Total remuneration, including pension contributions
Chief Executive	30,644	498	31,142	7,109	38,251
The post holder resigned 31/7/09, the annualised salary for this post was £91,932. The post was covered for the remainder of the year on an interim consultancy basis.					
Strategic Director	81,527	1,310	82,837	18,914	101,751
Strategic Director	77,802	1,356	79,158	18,050	97,208
Assistant Director (S151)	60,541	467	61,008	13,505	74,513
The post holder resigned 24/7/09, the annualised salary for this post was £68,446. The post was then covered on a temporary basis for the remainder of the 2009/10 year.					

The note above indicates those officers who report directly to members or the Chief Executive and who have responsibility for the strategies of the Council. The note is presented differently from that in the 2009/10 accounts as our understanding of the requirements of the note have been clarified.

Detailed below are the numbers of other employees of the Council whose remuneration in 2010/11 fell in each bracket of a scale in multiples of £5,000, starting with £50,000.

The number of employees whose remuneration, **excluding employer's pension contributions**, was £50,000 or more in bands of £5,000 were;		
	2009/10 Number of Employees	2010/11 Number of Employees
Allowance Band		
£50,000 to £54,999	2	1
£55,000 to £59,999	1	1
£60,000 to £64,999	0	0
£65,000 to £69,999	0	0
£70,000 to £74,999	0	0
£75,000 to £79,999	0	0
£80,000 to £84,999	0	0
£85,000 to £89,999	0	0
£90,000 to £94,999	0	0
£95,000 to £99,999	0	0
£100,000 to £104,999	0	0
£105,000 to £109,999	0	0
£110,000 to £114,999	0	0
£115,000 to £119,999	0	0
£120,000 to £124,999	0	0

33. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2010/11 £'000	2009/10 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	107	144
Fees payable to the Audit Commission in respect of statutory inspections	1	1
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	21	24
Fees payable in respect of other services provided during the year	0	0
Total	129	169

The fees relating to external audit in 2010/11 have reduced as the level of their inspection work has declined.

34. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

Credited to Taxation and Non Specific Grant Income	31/3/10 £'000	31/3/11 £'000
Recognised capital grants and contributions	655	0
RSG	1,332	921
Area Based Grant Income	236	287
Local Area Business Growth Incentive	36	0
Housing Planning and Delivery Grant	162	0
Total	2,421	1,208

The following grants balances above £100,000 were credited to services:

Credited to Services	31/03/10 £'000	31/03/11 £'000
Subsidy	19,273	20,403
Benefits Admin Grant	616	554
Disabled Facilities and Decent Homes Grant	531	461
Concessionary Fares grant	192	227
Choosing Health	131	180
Big Lottery	101	0
Homelessness grant income	81	141
Lincolnshire County Council (Community Development, Community Safety and Recycling)	52	124
Lincolnshire County Council Playbuilder monies	61	117
Other	382	587
Total	21,420	22,794

The following capital grants are considered to have outstanding conditions attached to them and are held in the Capital Grants Received in Advance account:

Capital Grants Received in Advance	31/03/10 £'000	31/03/11 £'000
Heritage Lottery Fund	877	877
English Heritage	37	37
Total	914	914

35. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg Council tax bills, housing benefits). Grants received from government departments are set out in subjective analysis in Note 27 on reporting for resources allocation decisions.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 31. Councillors Mr P Rush, Ms B Owen and Mr M Clarkson have not returned declarations for related party transactions. The relevant disclosures are:

Five members declared interest in local organisations transacting with the Council for the supply of goods and services, which are deemed to be immaterial. Two members declared interest in organisations receiving grant support from the Council which are deemed to be immaterial.

Officers

One officer declared an interest in an organisation that transacts with the Council, the amount is deemed immaterial and is therefore not disclosed.

Other Public Bodies

The Council's Director of Resources and Section 151 Officer and the Deputy S151 Officer, hold the same appointment at East Lindsey District Council. During 2010/11, the Council received £15,923 from East Lindsey District Council for the sharing of the posts from 1st January 2011 to 31st March 2011.

Pension Fund – the Council paid an employer's contribution of £1,147,595 into Lincolnshire County Council's Superannuation Fund (£1,197,817 in 2009/10). Under the requirements of IAS19 the actuarial estimate shows a contribution of £1.145m. The fund provides its members with defined benefits related to pay and service. Full disclosure on Retirement Benefits is shown in Note 41.

Entities Controlled or Significantly Influenced by the Council

It should be noted that last year the Council deemed it had a dominant influence over the BSI with regards to its financial and operating policies. Having reviewed existing arrangements with BSI, with the advent of IFRS and the fact the £1.9m loan has now been written-off, the Council has concluded that this dominant influence no longer exists.

Levying Bodies

The drainage boards and the parish councils levy demands on the Council Tax, and the transactions are detailed in Note 10.

36. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2010/11	2009/10	2008/09
	£'000	£'000	£'000
Opening Capital Financing Requirement	(912)	(4,509)	(5,753)
Capital Investment			
Property, Plant and Equipment	191	390	288
Investment Properties	0	47	16
Intangible Assets	85	24	41
Revenue Expenditure Funded from Capital Under Statute	836	3,915	2,095
Sources of finance			
Capital receipts			(30)
Government grants and other contributions	(616)	(790)	(1,166)
Sums set aside from revenue:			
Direct revenue contributions	(63)	0	0
(MRP/loans fund principal)	(69)	0	0
Other Financing Costs	28	11	0
Closing Capital Financing Requirement	(521)	(912)	(4,509)
Explanation of movements in year			
Increase in underlying need to borrow (supported by government financial assistance)			
Increase in underlying need to borrow (unsupported by government financial assistance)	391	3,597	1,244
Increase/(decrease) in Capital Financing Requirement	391	3,597	1,244

37. LEASES

Authority as Lessee

Finance Leases

The assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31/3/09 £'000	31/3/10 £'000	31/3/11 £'000
Other Land and Buildings	725	649	573
Vehicles, Plant and Equipment	36	29	12
	761	678	585

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31/3/09 £'000	31/3/10 £'000	31/3/11 £'000
Finance lease liabilities (net present value of minimum lease payments):			
current	262	141	86
non-current	716	574	488
Finance costs payable in future years	129	96	69
Minimum lease payments	1,107	811	643

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments			Finance Lease Liabilities		
	31/3/09 £000	31/3/10 £000	31/3/11 £000	31/3/09 £000	31/3/10 £000	31/3/11 £000
Not later than one year	262	141	86	295	168	107
Later than one year and no later than five years	387	336	350	465	398	397
Later than five years	329	238	138	346	245	139
	978	715	574	1,107	811	643

Operating Leases

The Authority has acquired some its fleet of refuse collection vehicles by entering into operating leases, with typical lives of seven years.

The future minimum lease payments due under non-cancellable leases in future years are:

	31/3/09	31/3/10	31/3/11
	£'000	£'000	£'000
Not later than one year	26	27	30
Later than one year and no later than five years	120	127	132
Later than five years	115	82	46
	261	236	208

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2009/10	2010/11
	£'000	£'000
Minimum Lease Payments	27	30

Authority as a Lessor

The authority has undertaken a review of its lease arrangements for property and has assessed these as not being finance leases.

The authority leases out property under operating leases all of which are cancellable by either party giving notice of varying lengths under the contract. The Council leases £4.6m of investment properties and £800k of Property Plant and Equipment under cancellable leases. Details of the income and expenditure relating to leased property can be found at Note 14.

38. IMPAIRMENT LOSSES

During 2010/11 the authority recognised impairment losses of £67,000 on land and buildings, £6,000 on vehicles, £4,000 on community assets and £57,000 on investment properties. There were also de-recognition losses of £27,000 on land and buildings and £17,000 on vehicles.

During 2010/11 the authority recognised reversals of impairment losses on revalued assets of £560,000 in the Other Comprehensive Income and Expenditure section of the Movement In Reserves Statement and taken to the Revaluation Reserve in the year.

There were no material impairment losses in 2010/11. In 2009/10 there were £768,000 impairments recognised on operational properties and £2,974,000 on non-operational properties.

39. CAPITALISATION OF BORROWING COSTS

During 2010/11 the authority has not capitalised the cost of borrowing and has not borrowed to fund capital expenditure, therefore no capitalisation was required.

40. TERMINATION BENEFITS

The Authority terminated the contracts of 3 employees in 2010/11, incurring liabilities of £29,659 (£341,176 in 2009/10).

41. DEFINED BENEFIT PENSION SCHEMES

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension scheme:

- The Local Government Pension Scheme, administered locally by Lincolnshire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme £'000	
	2009/10	2010/11
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current Service Cost	523	1,008
• Past Service Costs	110	(5,823)
• Settlements and Curtailments	4	0
Financing and Investment Income and Expenditure:		
• Interest cost	2,904	3,405
• Expected return on scheme assets	(1,720)	(2,383)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,821	(3,793)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• actuarial gains and losses	16,444	(10,682)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	18,265	(14,475)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,821)	14,475
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' Contributions payable to the Scheme	1,313	1,207

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is £10.7m in gains (£16.4m losses in 2009/10).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme £'000	
	2009/10	2010/11
Opening balance at 1st April	(42,700)	(66,963)
Current Service Cost	(523)	(1,008)
Interest Cost	(2,904)	(3,405)
Contributions by Scheme Participants	(335)	(321)
Actuarial gains and losses	(22,618)	11,663
Benefits paid	2,231	2,369
Past Service Costs	(110)	5,823
Settlements and Curtailments	(4)	0
Closing balance at 31st March	(66,963)	(51,842)

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme £'000	
	2009/10	2010/11
Opening balance at 1st April	27,167	34,478
Expected rate of return	1,720	2,383
Actuarial gains and losses	6,174	(981)
Employer contributions	1,313	1,207
Contributions by scheme participants	335	321
Benefits paid	(2,231)	(2,369)
Settlements	(4)	
Closing balance at 31st March	34,478	35,039

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

In the UK budget statement on 22nd June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing Boston Borough Council's liabilities in Lincolnshire Pension Fund by £5.8m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £2.5m (2009/10: £7.9m)

Scheme History

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Present value of liabilities	(48,447)	(44,095)	(42,700)	(66,963)	(51,842)
Fair value of assets in the Local Government Pension Scheme	37,576	33,928	27,167	34,478	35,039
Surplus / (deficit) in the scheme	(10,871)	(10,167)	(15,533)	(32,485)	(16,803)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £51.8m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £16.8m. However, statutory arrangements for funding the deficit means that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31st March 2012 is £1.06m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis during the projected unit credit method, an estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The principal assumptions used by the actuary have been:

	Local Government Pension Scheme £'000	
	2009/10	2010/11
Long term expected rate of return on assets in the scheme:		
Equity investments	7.8%	7.5%
Bonds	5.0%	4.9%
Other	10.6%	10.1%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.8	21.2
Women	24.1	23.4
Longevity at 65 for future pensioners:		
Men	22.3	23.7
Women	25.7	25.7
Rate of inflation	3.8%	2.8%
Rate of increase in salaries	5.3%	5.1%
Rate of increase in pensions	7.0%	6.9%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement sum	63.0%	63.0%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2009/10 %	2010/11 %
Equity investments	70	76
Debt Instruments	18	12
Other assets	12	12
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed in the following categories, measured as a percentage of assets or liabilities at 31st March:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Difference between the expected and actual return on assets	0.3	(13.3)	(32.6)	17.9	(2.8)
Experience gains and (losses) on liabilities	0	(4.4)	2.8	(33.8)	(8.33)

42. CONTINGENT LIABILITIES

At 31 March 2011, the Authority had the following contingent liability:

- The Port of Boston claims that the Council have a potential pension's liability with regards to The Boston and Spalding Pilots Association and The Pilots' National Pension Fund. It is alleged this goes back to 1988 when the Council signed a Deed of Accession. The exact amount of any potential liability is unknown. It is our understanding, having taken advice from Legal Services that the Council does not have any such liability, that as part of the agreement the Council were indemnified against any future liability.

43. CONTINGENT ASSETS

The Council has no contingent assets

44. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority's activities expose it to a variety of financial risks:-

- Credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew an financial instrument on maturity at disadvantageous interest rates or terms.; and
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management procedure focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulation. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
- The Council's overall borrowing;
- Its maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum exposures to the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The Annual Treasury Management Strategy which incorporates the prudential indicators approved by Council on 4th February 2010. Some key targets within the strategy were:

- The Authorised Limit for the 2010/11 was set at £4m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £2.1m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 20% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown below.
- None of these targets were exceeded

The Treasury Management Policy and Strategy is monitored by the Treasury Management team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- Investments are restricted to UK domiciled financial institutions

The full Investment Strategy for 2010/11 was approved by Full Council in February 2010 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £1,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31st March 2011 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	Amount	Historical Experience of Default	Adjustment for market conditions	Estimated maximum exposure to default	Estimated maximum exposure to default
Credit risk	31/3/11 £'000	31/3/11 %	31/3/11 %	31/3/11 £'000	31/3/10 £'000
Deposits with banks and Financial Institutions AA rated counterparties	2,532	0.03%	0.03%	1	2
Customers (debtors receivable)	415	5.47%	8.54%	23	42

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to its deposits.

The Council does not generally allow credit for its trade or sundry debtors, however, there are aged debtors within the debtors balance on the balance sheet and the past due amount can be analysed by age as follows:

Aged debt analysis	2010/11	2009/10	2008/09
	£'000	£'000	£'000
Less than three months	288	342	450
Three to six months	1	9	5
Six months to one year	1	9	13
More than one year	125	137	124
	415	497	592

During the reporting period the Council held no collateral as security.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

Maturity Analysis of Financial Assets	31st March 2011	31st March 2010
	£'000	£'000
Less than one year	2,532	5,017
One to 5 years	187	155
More than 5 years	3	3

All trade and other payables (£0.4m) are due to be paid in less than one year and are not shown in the table above.

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments with the policy of not investing for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the Treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; currently the Council is not committed to further borrowing.

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

Maturity Analysis of Financial Liabilities	31st March 2011 £'000	31st March 2010 £'000
Up to one year	(133)	(65)
Two to five years	(442)	(505)
More than five years	(1,138)	(1,239)

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement. The Council has no such borrowings or investments.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The Treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000s
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	60
Impact on Surplus or Deficit on the Provision of Services	60
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	257

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note 16 – Fair value of Assets and Liabilities carried at Amortised Cost

Price risk - The Council, excluding the pension fund, does not invest in equity shares or marketable bonds.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

THE COLLECTION FUND

2009/10 £'000		2010/11 £'000
	INCOME	
(23,002)	Income from Council Tax	(23,962)
	Transfers from the General Fund	
(4,348)	- Council Tax benefits	(4,567)
(31)	- Discretionary rate relief	(54)
(18,174)	Income collectable from business ratepayers	(16,793)
	Contributions	
0	- Towards previous year's Collection Fund deficit	0
(45,555)	Total income for the year	(45,376)
	EXPENDITURE	
	Precepts and demands	
19,981	- Lincolnshire County Council	20,637
3,345	- Lincolnshire Police Authority	3,472
3,490	- Boston Borough Council	3,535
	Business Rates	
17,811	- Payment to National Pool	16,548
90	- Cost of Collection	90
	Impairment of Debts	
321	- Write-offs	644
472	- Provisions	396
	Contributions	
29	- Towards previous year's Collection Fund surplus	22
45,539	Total expenditure for the year	45,344
(16)	Movement on Fund Balance	(32)
	SUMMARY	
(305)	Collection Fund balance at 1 April 2010	(321)
	Adjustment to the Collection Fund (see note 5)	(133)
(16)	Surplus (-) or deficit for the year	(32)
(321)	Collection Fund balance at 31 March 2011	(486)

NOTES TO THE COLLECTION FUND

1. GENERAL

As the Council Tax billing authority, the Council has a statutory requirement, under section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates. This statement shows the transactions of the billing authority and illustrates the way in which these have been distributed to preceptors and the General Fund. As noted elsewhere in these Accounts, changes to the accounting treatment of the Collection Fund this year have required amendments to the Council's main accounting statements, although Collection Fund accounting arrangements are not affected.

2. COUNCIL TAX INCOME

The income from Council Tax figures represents the net amount from taxpayers in 2010/11 after allowing for entitlement to benefits and relief.

All domestic properties are banded according to their value at 1 April 1993, and a tax level is set to meet the demands from Lincolnshire County Council, Lincolnshire Police Authority, Boston Borough Council and Parish Councils.

The tax is set by dividing these demands by the appropriate Council Tax base, which is the number of chargeable dwellings in each valuation band (adjusted for estimated changes and discounts), expressed as an equivalent number of Band D dwellings.

The calculation of the Council Tax base for the year is shown below:

BAND	CHARGEABLE DWELLINGS	FACTOR	BAND D EQUIVALENTS
A (Disabled Relief)		5/9	10.7
A (Disabled Relief)		6/9	7,840.7
B		7/9	3,970.4
C		8/9	4,740.4
D		9/9	1,737.0
E		11/9	853.1
F		13/9	264.0
G		15/9	112.9
H		18/9	10.0
Second Homes adjustment			21.6
TOTAL			19,560.8
Less provision for impairment of debts (1.0%)			(195.6)
Tax base for tax setting			19,365.2

The basic level of Council Tax for the year, per band D property, excluding any parish precept, was £1,413.36. To calculate the charge payable for a specific property, the appropriate parish Band D charge should be added to the basic level, and then multiplied by the relevant factor for the band assigned to the property.

3. NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Government specifies an amount to be levied each year, 41.4p for 2010/11 (2009/10 – 48.5p) with a small business rate multiplier of 40.7p, and subject to the affects of transitional arrangements, local businesses pay rates calculated by the multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area, but pays proceeds into a national NNDR pool administered by the Government. The Government redistributes the sum paid into the pool back to local authorities on the basis of a fixed amount per head of population.

Income from NNDR, after relief and provisions, was £16.8m (2009/10 - £18.2m). The total rateable value for the Council's area as 31st March 2011 was £48.449m (2009/10 - £48.725m).

4. PRECEPTS AND DEMANDS

The following amounts were paid out of the fund in the year. This includes all precepts made upon the Council plus any distribution of previous years' estimated collection fund surplus.

	Precept £	Previous Year's Surplus £	Total £
Lincolnshire County Council	20,637,300	16,769	20,654,069
Lincolnshire Police Authority	3,471,793	2,807	3,474,600
Boston Borough Council	3,535,300	2,902	3,538,202
TOTAL	27,644,393	22,478	27,666,871

An analysis of the balance on the fund at the end of 2010/11, which will be shared amongst the Precepting bodies in 2011/12, is as follows:

Precepting Body	£
Lincolnshire County Council	(362,584)
Lincolnshire Police Authority	(60,997)
Boston Borough Council	(61,983)
	(485,564)

5. ADJUSTMENT TO BALANCES

Over the past 5 years the Authority has transferred an amount from the Collection Fund to the revenue account for second homes discount. Lincolnshire County Council has also been paying this, which the Council has kept in a reserve / creditor over the years to be repaid. On further investigation, it appears the Authority should not have been making a transfer from the collection fund for this but should have been crediting the income to the revenue account. The Authority has therefore released the accumulated 2nd home discount monies into the Collection fund reserves in 2010/11, totalling £133,168.02.

GLOSSARY OF TERMS

ACCOUNTING PERIOD

The length of time covered by the authority's accounts. This is twelve months commencing on 1st April. The end of the accounting period is the balance sheet date i.e. 31 March.

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

ACCUMULATING COMPENSATED ABSENCES

Compensated absences that are carried forward and can be used in future periods if the current period's entitlement is not used in full.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made in the last valuation (experience gains and losses) or
- the actuarial assumptions have changed.

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising;
- Selecting measurement bases for; and
- Presenting assets, liabilities, gains losses and changes to reserves.

Accounting policies do not include estimation techniques. Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

ACTUARY

An expert on pension scheme assets and liabilities.

AMORTISATION

A tax deduction for the gradual consumption of the value of an asset, especially an intangible asset

BAD DEBTS

Outstanding amounts owed to the Council which are highly unlikely to be collected.

BALANCES

The revenue reserves of the Council made up of the accumulated surplus of income over expenditure.

BUDGET

The Council's plans set out in financial terms. Both revenue and capital budgets are prepared, and are used to control and monitor expenditure and performance.

BILLING AUTHORITY

A local authority responsible for collecting the council tax and non-domestic rates i.e. Boston Borough Council.

BTAC

Boston Town Area Committee.

CAPITAL CHARGE

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECIEPTS

Proceeds arising from the sale of fixed assets, such as land and buildings.

CARRYING VALUE

An accounting measure of value, where the value of an asset is based on the figures in the balance sheet. For assets, the value is based on the original cost of the asset less any depreciation, amortisation or impairment costs made against the asset.

CASH EQUIVALENTS

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CHANGE IN ACCOUNTING ESTIMATE

An adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

CLASS OF FIXED ASSETS

The classes of fixed assets required to be included in the accounting statements are:

Property, Plant and Equipment
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets
- Surplus assets not held for sale
- Assets Under Construction
- Investment Property
- Intangible Assets

Further analysis of any of these items will be given if it is necessary to ensure fair presentation.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The leading professional accountancy body for the public sector. They set and monitor professional standards and provide education and training in accountancy and financial management.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

Sets out the proper accounting principles and practices required for the statement of accounts, in accordance with the statutory framework for accounts, as established for England and Wales. The aim is to produce financial statements which present a true and fair view of the financial position of the Council.

COLLATERAL

Something pledged as security for repayment of a loan, to be forfeited in the event of a default.

COLLECTION FUND

This is a fund managed by the billing authority (Borough Council) to receive Business Rates income and Council Tax income. It is also used to make payments to the national business rates pool and to pay a share of council tax collected to the County Council, Police Authority, District Council and Parish Councils.

COMMENCEMENT OF THE LEASE TERM
The date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, income or expenses resulting from the lease, as appropriate).

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

COMMUNITIES AND LOCAL GOVERNMENT (CLG)

Department for Communities and Local Government

COMMUTED SUMS

Commuted Sums are negotiated contributions from developers, usually under section 106 Planning Agreements.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

CONTINGENT ASSET

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

CONTINGENT LIABILITY

A condition, that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non –occurrence of one or more uncertain future events.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COUNCIL TAX

This is a banded property tax set by local authorities in order to meet their budget requirements. There are eight bands (Band A–H), set by the District Valuer according to the value of the property. The amount each household pays depends on the value of the property.

CREDIT DEFAULT SWAP

A swap contract in which the buyer of the Credit Default Swap makes a series of payments to the seller and, in exchange, receives a payoff.

CREDITORS

Amounts owed by the authority for work done, goods received or services rendered before the end of the accounting period but for which payment was not made by the end of the financial year.

CURRENT ASSET

An asset which satisfies any of the following criteria:
(a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
(b) it is held primarily for the purpose of being traded;
(c) it is expected to be realised within twelve months after the balance sheet date; or

(d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

CURRENT SERVICE COSTS (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

DEBTORS

These are amounts due to an Authority but unpaid at the balance sheet date.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

EARMARKED RESERVES

Money in savings that one intends to use only for a certain, stated purpose

ECONOMIC BENEFITS

Benefits quantifiable in terms of money, such as revenue, net cash flow, net income.

EMOLUMENTS

All sums paid to or receivable by an employee and sums due by way of expenses' allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

ESTIMATION TECHNIQUES

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

EXPECTED RATE OF RETURN ON PENSION ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less where applicable, any grants receivable towards the purchase or use of the asset.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FINANCIAL INSTRUMENT

Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

FIXED ASSETS

Tangible and intangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

GENERAL FUND

This account shows the expenditure and income relating to all the services provided by the Council, excluding the provision of Council Housing, and how the net cost of these services has been financed by local taxpayers and through government grants.

GOVERNMENT GRANTS

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

HERITAGE ASSETS

Assets such as art works, library collections, monuments and historic buildings and other treasures which are irreplaceable and are held in perpetuity because of their unique historical, cultural or environmental attributes.

HOUSING BENEFIT

This is a national system for giving financial assistance to individuals towards certain housing costs. The cost of the service is subsidised by central government.

IMPAIRMENT

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

INCOME

This is the money that the Council receives or expects to receive from any source, including fees and charges, government grants, contributions and interest.

INDIRECT METHOD OF REPORTING CASH FLOWS FROM OPERATING ACTIVITIES

Under this method, surplus or deficit is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS

Assets that do not have physical substance but are identifiable and controlled by the Council, such as IT software.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

These are accounting standards as approved and published by the Accounting Standards Board, which pronounce the method of accounting treatment to be applied to specific areas.

INVENTORIES

Assets:

- held for sale in the ordinary course of business;
- in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.

- Inventories encompass goods purchased and held for resale.

INVESTMENTS

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.

INVESTMENT PROPERTIES

Interest in land and/or buildings:
- In respect of which construction work and development have been completed; and
- Which is held for its investment potential, any rental income being negotiated at arm's length.

LEASE

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

LIABILITY

A liability arises when the Council owes money to others and it must be included the financial statement. There are two types of liability:
- A current liability is a sum of money that will or might be payable during the next accounting period e.g. creditors or bank overdraft.
- A deferred liability is a sum of money that will not become payable until some point after the next accounting period or is paid off over a number of accounting periods.

MATERIALITY

In using its professional judgement the Council has considered the size and nature on individual transactions or set of transactions. An item is considered to be material where its omission or misstatement would reasonable change the substance of the information presented in the accounts.

MATURITY STRUCTURE

Pattern of repayments of depositors' money arranged in such a way that a bank is largely invulnerable to collapse due to panic rush by depositors to withdrawn their funds.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount of the authority's outstanding debt which must be repaid by the revenue accounts in the year.

MINIMUM LEASE PAYMENTS

The payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:
(a) for a lessee, any amounts guaranteed by the lessee or

by a party related to the lessee; or
(b) for a lessor, any residual value guaranteed to the lessor by:
(i) the lessee;
(ii) a party related to the lessee; or
(iii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less any cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NATIONAL NON DOMESTIC RATES (NNDR)

This is a national scheme for collecting contributions from businesses towards the cost of local government services, based on a flat rate in the pounds set by Government

NON DISTRIBUTED COSTS

These are overheads for which no user benefits and are therefore not allocated to services.

OPERATING LEASES

A lease other than a finance lease.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

POST BALANCE SHEET EVENTS

These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible officer.

PRECEPTS

Amounts the Council is required to raise from Council Tax on behalf of other authorities.

PROVISION

An amount set aside for a liability that is likely will be incurred but the exact amount and the date on which it will arise are uncertain.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets for which the ultimate cash realisation can be assessed with reasonable certainty.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:
- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:
- Central government
- Local authorities and other bodies precepting or levying demands on the council tax;
- Its subsidiary and associated companies;
- Its joint ventures and joint venture partners
- Its members
- Its chief officers; and
- Its pension fund.

For individuals identified as related parties, the following are also presumed to be related parties:
- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household; has a controlling interest.

RESERVE

An amount set aside in a financial year for a specific purpose, to be used to meet expenditure in future years.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Formerly known as Deferred Charges, this is expenditure that may properly be deferred, but which does not result in, or remain matched with, assets controlled by the Council, e.g. Renovation Grants.

SEGMENT

Distinguishable service of the Authority that is engaged in providing a service or a group services.

TOTAL COST

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

USEFUL LIFE

The period over which the local authority will derive benefits from the use of a fixed asset.